

Auditing Procedures Report

Instructions and MuniCodes

*=Required Fields

Reset Form

Issued under Public Act 2 of 1966, as amended. (V1.07)

Unit Name* CITY OF FRANKENMUTH	County* SAGINAW	Type* CITY	MuniCode* 73-2-010
Opinion Date-Use Calendar* Oct 29, 2008	Audit Submitted-Use Calendar* Nov 6, 2008	Fiscal Year End Month* 06	Fiscal Year* 2008

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No."

<input checked="" type="checkbox"/> ?	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input checked="" type="checkbox"/> ?	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input checked="" type="checkbox"/> ?	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/> ?	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input checked="" type="checkbox"/> ?	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/> ?	6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/> ?	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/> ?	8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
<input checked="" type="checkbox"/> ?	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/> ?	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
<input checked="" type="checkbox"/> ?	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input checked="" type="checkbox"/> ?	12. Is the local unit free of repeated reported deficiencies from previous years?
<input checked="" type="checkbox"/> ?	13. Is the audit opinion unqualified? 14. If not, what type of opinion is it? NA
<input checked="" type="checkbox"/> ?	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/> ?	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/> ?	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input type="checkbox"/> ?	18. Are there reported deficiencies? 19. If so, was it attached to the audit report?

General Fund Revenue:	? \$ 4,776,631.00
General Fund Expenditure:	? \$ 4,132,824.00
Major Fund Deficit Amount:	\$ 0.00

General Fund Balance:	? \$ 1,685,539.00
Governmental Activities Long-Term Debt (see instructions):	? \$ 9,551,245.00

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (reported deviations).

CPA (First Name)* HEATHER	Last Name* THOMAS	Ten Digit License Number* 1101024719		
CPA Street Address* 4855 STATE ST	City* SAGINAW	State* MI	Zip Code* 48603	Telephone* +1 (989) 790-3900
CPA Firm Name* GARDNER, PROVENZANO	Unit's Street Address* 240 W GENESSE	Unit's City* FRANKENMUTH	Unit's Zip* 48734	



Gardner | Provenzano
Schauman & Thomas

CERTIFIED PUBLIC ACCOUNTANTS

CITY OF FRANKENMUTH

Frankenmuth, Michigan

Financial Statements

June 30, 2008



**CITY OF FRANKENMUTH
TABLE OF CONTENTS**

	<u>Page Number</u>
Independent Auditor's Report	
Management's Discussion and Analysis	1
City-Wide Financial Statements	
Statement of Net Assets	7
Statement of Activities	8
Governmental Funds Balance Sheet	9
Reconciliation of the Governmental Funds Balance Sheet to the City-Wide Statement of Net Assets	10
Governmental Funds Statement of Revenue, Expenditures and Changes in Fund Balance	11
Reconciliation of the Governmental Funds Statement of Revenue, Expenditures and Changes in Fund Balance to the City-Wide Statement of Activities	12
Proprietary Funds	
Statement of Net Assets	13
Statement of Revenue, Expenses and Changes in Net Assets	14
Statement of Cash Flows	15
Notes to Financial Statements	16
Required Supplemental Financial Information	
Budgetary Comparison Schedule-General Fund	36
Budgetary Comparison Schedule-DDA Fund	37

Notes to Required supplemental Information	38
Other Supplemental Information	
General Fund	
Comparative Balance Sheets	41
Statement of Revenues, Expenditures and Changes in Fund Balance--Budget and Actual	42
Statement of Revenues--Budget and Actual	43
Statement of Expenditures--Budget and Actual	44
Major Street Fund	
Comparative Balance Sheets	47
Statement of Revenues, Expenditures and Changes in Fund Balance--Budget and Actual	48
Local Street Fund	
Comparative Balance Sheets	49
Statement of Revenues, Expenditures and Changes in Fund Balance--Budget and Actual	50
Parks and Recreation Fund	
Comparative Balance Sheets	51
Statement of Revenues, Expenditures and Changes in Fund Balance--Budget and Actual	52
Downtown Development Authority Fund	
Comparative Balance Sheets	54
Statement of Revenues, Expenditures and Changes in Fund Balance--Budget and Actual	55

	<u>Page Number</u>
Operating Statistics	56
Drug Law Enforcement Fund	
Comparative Balance Sheets	57
Statement of Revenues, Expenditures and Changes in Fund Balance--Budget and Actual	58
James E. Wickson Memorial Library Fund	
Comparative Balance Sheets	59
Statement of Revenues, Expenditures and Changes in Fund Balance--Budget and Actual	60
Building Department Fund	
Comparative Balance Sheets	62
Statement of Revenues, Expenditures and Changes in Fund Balance--Budget and Actual	63
Debt Service Funds	
Combining Balance Sheet	65
Statement of Revenues, Expenditures and Changes in Fund Balance	66
Capital Projects Fund	
Comparative Balance Sheet	68
Statement of Revenue, Expenditures and Changes in Fund Balance	69
Waste Water Treatment Enterprise Fund	
Statements of Net Assets	71
Statement of Revenues and Expenses and Changes in Net Assets	73

	<u>Page Number</u>
Statement of Operating Expenses	74
Water Enterprise Fund	
Statements of Net Assets	76
Statements of Revenues and Expenses and Changes in Net Assets	78
Statement of Operating Expenses	79
Operating Statistics	81
Equipment Internal Service Fund	
Statements of Net Assets	83
Statement of Revenues, Expenses and Changes in Net Assets	84
Schedule of Indebtedness	85



Gardner | Provenzano Schauman & Thomas

CERTIFIED PUBLIC ACCOUNTANTS

Frederick C. Gardner
Giacomo Provenzano
James R. Schauman
Heather A. Thomas

INDEPENDENT AUDITOR'S REPORT

October 29, 2008

Honorable Mayor and Members
of the Frankenmuth City Council
City of Frankenmuth
Frankenmuth, Michigan

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Frankenmuth, Michigan, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Frankenmuth, Michigan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with United States generally accepted auditing standards and standards prescribed by the State Treasurer. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Frankenmuth, Michigan, at June 30, 2008, and the respective changes in financial position and cash flows where applicable, thereof for the year then ended, in conformity with U.S. generally accepted accounting principles and with applicable rules and regulations of the State Treasurer.

The management's discussion and analysis (identified in the table of contents) is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

The accompanying required supplemental information and other supplemental information, as identified in the table of contents, are not required parts of the basic financial statements. The required supplemental information is information required by the Governmental Accounting Standards Board; the other supplemental information is presented for the purpose of additional analysis. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Frankenmuth, Michigan's basic financial statements. The required supplemental information and other supplemental information have been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Sardner, Provenzano, Schauman & Thomas, P.C.

Certified Public Accountants

CITY OF FRANKENMUTH
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Overview of the Financial Statements

The City of Frankenmuth, Michigan's (the "City") annual report consists of this analysis (management's discussion and analysis), government-wide financial statements, fund financial statements, notes to the financial statements, required supplemental information, and other supplemental information.

The City fully implemented the Governmental Accounting Standards Board's (GASB) Statement No. 34. As allowed by Gasb-34 for Phase Three governments, the City of Frankenmuth did not recognize infrastructure assets that were not already in the general fixed assets account groups retroactively. This accounting pronouncement, among other changes, adds government-wide financial statements which were designed to provide a broad overview of the City's finances. The government-wide statements are presented on a full accrual basis of accounting, with an emphasis on measuring all economic resources and not just current financial resources as measured in the individual fund statements. These statements make a distinction between governmental activities for example public safety and public works and business-type activities such as the provision of water and sewerage service. Two government-wide statements are provided. These statements will show a comparison from the prior year's fiscal year data.

One government-wide statement, the statement of net assets, presents information on all of the City's assets and liabilities with the difference shown as net assets. Increases or decreases of net assets from period to period provide useful information on the direction of the City's financial position over time.

The other government-wide statement, the statement of activities, provides information on how the government-wide net assets changed during the fiscal year. This statement provides information on income, expenses, and other increases or decreases in net assets.

Following the government-wide statements, individual fund financial statements are provided for the City's major funds and compiled financial information is provided for non-major funds. These statements are grouped into governmental funds, which account for the cost of providing governmental-type services for example public safety and public works and proprietary funds which account for business-type activities such as provision of water and sewer services.

Reconciliations between the individual fund statements and the government-wide financial statements are provided following the individual fund statements. The differences are primarily related to inclusion of capital assets and recognition of certain receivables and long-term liabilities in the government-wide statement of net assets, which are not included in the fund balance sheets, and related to the timing of reporting capital outlays and debt principal repayment in the fund statements and a difference in the timing of the recognition of certain revenues

**CITY OF FRANKENMUTH
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

Overview of the Financial Statements (cont.)

and expenditures such as bond proceeds and accrued interest in the individual fund statements versus the government-wide statements.

Financial Position and Results of Operation for the City as a Whole

The City of Frankenmuth's Governmental Wide activities indicates an increase in net assets of \$1,204,753 for fiscal year 2007-08. This compares to an increase in net assets of \$571,184 for the prior fiscal year. This is the consolidated result of the General Fund, Special Revenue Funds, Capital Project Funds, Debt Service Funds and Internal Service activity.

Net assets of the Business-type activities, (Water and Waste Treatment Funds) decreased by \$313,338 for fiscal year 2007-08. This compares to a decrease of \$453,651 for the prior fiscal year. Water and Waste Treatment utility rates were amended this fiscal year to cover the increases in the costs of operations. Outside the purchase of water, the largest single expense in both funds is depreciation expense of \$1,219,918.

In a condensed format, the tables below show the net assets and changes in net assets as of June 30, 2008 with comparable data for the prior fiscal year.

	Government Activities		Business-type Activities		Total	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Assets						
Current assets	\$ 3,174,361	\$ 5,078,240	\$ 2,354,751	\$ 2,249,624	\$ 5,529,112	\$ 7,327,864
Noncurrent assets	13,587,920	10,639,325	22,096,852	23,145,916	35,684,772	33,785,241
Total Assets	<u>\$ 16,762,281</u>	<u>\$ 15,717,565</u>	<u>\$ 24,451,603</u>	<u>\$ 25,395,540</u>	<u>\$ 41,213,884</u>	<u>\$ 41,113,105</u>
Liabilities						
Current liabilities	\$ 3,110,969	\$ 3,181,856	\$ 2,127,556	\$ 2,000,874	\$ 5,238,525	\$ 5,182,730
Long-term liabilities	8,612,706	8,701,856	6,608,190	7,365,471	15,220,896	16,067,327
Total Liabilities	<u>11,723,675</u>	<u>11,883,712</u>	<u>8,735,746</u>	<u>9,366,345</u>	<u>20,459,421</u>	<u>21,250,057</u>
Net Assets						
Investment in capital assets- net of related debt	2,390,612	1,150,632	6,606,571	6,148,507	8,997,183	7,299,139
Restricted for debt service	28,804	100,579	-	-	28,804	100,579
Unrestricted	2,619,190	2,582,642	9,109,286	9,880,688	11,728,476	12,463,330
Total Net assets	<u>\$ 5,038,606</u>	<u>\$ 3,833,853</u>	<u>\$ 15,715,857</u>	<u>\$ 16,029,195</u>	<u>\$ 20,754,463</u>	<u>\$ 19,863,048</u>

The above table presents the net assets as of June 30, 2008 and 2007. The change in net assets for the 2007-2008 and 2006-2007 years is presented and discussed below in Table 2.

CITY OF FRANKENMUTH
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Financial Position and Results of Operation for the City as a Whole (cont.)

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Revenue						
Program revenue						
Charges for services	\$ 1,387,502	\$ 1,294,290	\$ 2,301,293	\$ 2,172,708	\$ 3,688,795	\$ 3,466,998
Operating grants and contributions	1,363,781	685,919	-	-	1,363,781	685,919
Capital grants and contributions	927,304	199,979	405,359	430,510	1,332,663	630,489
General revenue						
Property taxes	3,054,171	3,032,069	-	-	3,054,171	3,032,069
State Shared revenue	410,492	411,800	-	-	410,492	411,800
License and permits	103,158	66,563	-	-	103,158	66,563
Unrestricted investment earnings	240,623	252,327	74,409	85,735	315,032	338,062
Gain on sale of capital assets	(194)	3,120	5,400	-	5,206	3,120
Other revenues	261,345	311,212	-	-	261,345	311,212
Transfers	117,550	116,896	(117,550)	(116,896)	-	-
Total Revenue	7,865,732	6,374,175	2,668,911	2,572,057	10,534,643	8,946,232
Program Expense						
General government	1,335,785	1,372,842	-	-	1,335,785	1,372,842
Public safety	1,169,410	1,108,457	-	-	1,169,410	1,108,457
Highways and Street	617,527	648,627	-	-	617,527	648,627
Sanitation	276,180	269,105	-	-	276,180	269,105
Economic development-ODA	316,663	611,543	-	-	316,663	611,543
Culture-recreations	1,184,007	857,247	-	-	1,184,007	857,247
Interest on long term debt	435,091	467,973	-	-	435,091	467,973
Equipment	394,241	366,974	-	-	394,241	366,974
Other	932,075	100,223	-	-	932,075	100,223
Water and waste water	-	-	2,982,249	3,025,708	2,982,249	3,025,708
Total Program Expenses	6,660,979	5,802,991	2,982,249	3,025,708	9,643,228	8,828,699
Change in Net Assets	\$ 1,204,753	\$ 571,184	\$ (313,338)	\$ (453,651)	\$ 891,415	\$ 117,533

Governmental Activities

The City continues to experience moderate growth in tax revenues based on the increased developments in the residential and commercial sectors. Expenditures overall have remained fairly constant; however, we have experienced significant rate increases in employee health care premiums and in the employer contribution for employee pension benefits.

State-shared revenues, statutorily designated to support local community services are historically about 15% of the City's general operating revenues, have continued to decline to approximately 9% for fiscal year 2007-08. While not significant in total dollars, the trend from the State of Michigan appears that it will continue. Over a six year period of time, the City has received \$90,000 less in State shared revenues.

The City strives to maintain a cash reserve in the three to six month range as recommended by our independent auditors. Based upon the 2008-2009 budgeted General Fund expenditures, we have approximately 4.8 months in reserves which fall within management's desired level.

CITY OF FRANKENMUTH
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Business-type Activities

The City operates a water department and sewer treatment department. These departments provide water and sewage services to all the City's residents. Water is provided to some areas outside the city corporate limits. Rates are set to provide for annual operations, maintenance, replacement, and for the payment of debt service requirements. The Water Board reviews the rate structure annually. In the prior year, our wholesale water supplier has again changed the methodology they charge their wholesale customers which prompts us to make appropriate changes to the rates charged to our customers. We have hired a consultant to investigate our options for an alternate water source and that project continues. The Waste Treatment Committee reviews that department's operation. Based on costs and operations, a rate increase is being reviewed and discussed.

Analysis of Individual Funds

Of the City's governmental funds, the General Fund, the Major and Local Street Funds, and the Downtown Development Authority Fund account for most of the significant expenditures other than for debt service.

The General Fund ended the fiscal year with an increase to the fund balance in the amount of \$180,082. A continuing and ongoing concerted effort by the City Council and management was made to reverse the prior years decreasing trends and move in the positive direction. Property taxes remain the major revenue source (47%), followed by charges for services (23%), Other Revenues (21%) State shared revenue (9%), and licenses and permits, fines and forfeits making up the balance of the general fund revenue. The total General Fund revenues for fiscal year 2007-08 increased by 19.8% over the preceding fiscal year. The increase in the Other Revenue in fiscal year 2007-08 was a result of donations received of \$550,000 from the Bronner Family toward the land acquisition. Without this donation, the 2007-08 General Fund revenues would have increased by 6.3% over the preceding fiscal year.

Both the Major and Local Street Funds continue to struggle with limited funds available to undertake construction or reconstruction projects. The major source of revenue comes from the State gas and weight taxes. The General Fund annually transfers money into these street funds for any planned construction project. The ending fund balance in these street funds decreased to \$7,966 for fiscal year 2007-08, as compares to an ending balance of \$97,617 for the prior fiscal year.

The Downtown Development Authority Fund receives the majority of their revenue from property taxes, captured taxes and special assessments. The majority of the planned infrastructure and beautification projects have been completed.

CITY OF FRANKENMUTH
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

General Operating Fund Budget Highlights

During the annual budget process, the City completes an extensive review of the current year budget, culminating in a budget amendment to appropriate the revised expenditure estimates.

The City did amend the originally adopted budget, once in March 2008 and again in June 2008. The most significant variances between the first budget adopted and the final budget adopted are as follows:

- The General Government function was amended to accommodate an expected increase of \$1,305,296 mainly for the purchase of land.

Significant variances between the final budget and actual results are as follows:

- Total revenues were \$581,631 more than anticipated in the General fund. Other revenues exceeded the budget by \$639,672 mostly due to a large donation for the purchase of land.
- The variance in transfers in was due to the issuance of debt in the amount of \$775,000.

Capital Asset and Long-term Debt Activity

Major capital asset and infrastructure additions in governmental funds consisted of the completion of the construction of the Kingsbrook subdivision phase five infrastructure street and storm sewer improvements.

In the Water and Sewer Funds, additional residential subdivision development, Kingsbrook subdivision phase five was constructed.

Besides any new public developments, the City did acquire land north of the City Hall/ Public Safety building complex on North Franklin and West Schleier streets along with two vacant lots north of our DPW facilities.

The City did service all outstanding debt in a timely basis. One additional debt obligation in the amount of \$775,000 was issued for the acquisition of land.

CITY OF FRANKENMUTH
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Economic Factors and Next Year's Budgets and Rates

The City's tax mill rate of 9.60 has been in effect since the 1997-98 fiscal year. The growth of the taxable value over this period has provided increase tax revenues to allow for no change in the mill levy. The limiting factor on tax revenue growth in the General Fund results from the capture of commercial tax values in the D.D.A. District.

Michigan Tax Tribunal tax appeals have been filed for two large tax payers within the D.D.A. which will have a limited adverse impact on this fund.

The City has experienced no specific events which it believes will materially impact the finances of the City. It should be noted that certain long-term trends such as the capture of commercial property tax revenues and shrinking state-shared revenues, will have a direct impact on the City's ability to provide current services as inflation and the cost of providing services increases. Currently, adequate cash reserves and authorized unlevied millage ensures provision of current services in the near term as the City meets these challenges and plans for the future.

The James E. Wickson Memorial Library received approval from the City Council and the Frankenmuth School Board to become a District Library for the Community effective July 1, 2008. A millage for operations of the District Library is on the November 4, 2008 ballot.

The City has been served with a lawsuit pertaining to zoning restrictions placed on large commercial buildings. The individuals whose land had a purchase agreement on, has filed suit in U.S. District Court in Bay City. To date, no hearings have been held.

Contacting the City's Financial Management

This financial report is designed to provide accountability of our stewardship of the resources provided by our citizens, taxpayers, and customers and to provide financial information to the City's investors and creditors. If you have any questions about this report or need additional financial information, please do not hesitate to contact the City Manager or City Treasurer at Frankenmuth City & Township Government Center, 240 West Genesee Street, Frankenmuth, MI 48734-1398.

CITY OF FRANKENMUTH
STATEMENT OF NET ASSETS
JUNE 30, 2008

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash	\$ 1,670,390	\$ 1,397,735	\$ 3,068,125
Investments	503,815	-	503,815
Receivables	285,930	296,000	581,930
Special Assessments Receivable	152,303	63,956	216,259
Due from other funds	243,466	523,020	766,486
Due from other governmental units	101,823	-	101,823
Inventory	26,860	50,687	77,547
Prepaid expenses	189,774	23,353	213,127
Total Current assets	3,174,361	2,354,751	5,529,112
Noncurrent Assets			
Restricted accounts receivable	-	7,645,293	7,645,293
Special Assessments net of current portion	1,727,739	488,748	2,216,487
Net Capital assets	11,860,181	13,962,811	25,822,992
Total Noncurrent Assets	13,587,920	22,096,852	35,684,772
Total assets	16,762,281	24,451,603	41,213,884
LIABILITIES			
Accruals	284,382	232,420	516,802
Accrued payroll	-	8,317	8,317
Due to other funds	116,114	650,372	766,486
Deferred revenue	1,853,610	488,397	2,342,007
Noncurrent liabilities:			
Due within one year	856,863	748,050	1,604,913
Due in more than one year	8,612,706	6,608,190	15,220,896
Total liabilities	11,723,675	8,735,746	20,459,421
NET ASSETS			
Invested in capital assets, net of related debt	2,390,612	6,606,571	8,997,183
Restricted for debt service	28,804	-	28,804
Unrestricted	2,619,190	9,109,286	11,728,476
Total net assets	\$ 5,038,606	\$ 15,715,857	\$ 20,754,463

The accompanying notes are an integral part of these financial statements.

**CITY OF FRANKENMUTH
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Governmental activities:							
General Government	\$ 1,335,785	\$ 249,653	\$ 144,643	\$ 779,049	\$ (162,440)	\$ -	\$ (162,440)
Public Safety	1,169,410	214,652	740,222	-	(214,536)	-	(214,536)
Public Works	8,398	-	-	-	(8,398)	-	(8,398)
Highways & Streets	617,527	-	360,012	11,622	(245,893)	-	(245,893)
Sanitation	267,782	318,258	-	-	50,476	-	50,476
Economic Development - DDA	316,663	-	-	129,963	(188,700)	-	(188,700)
Culture - recreations	1,184,007	151,509	118,904	-	(913,594)	-	(913,594)
Interest on Long Term Debt	435,091	-	-	-	(435,091)	-	(435,091)
Equipment	394,241	453,430	-	-	59,189	-	59,189
Other	932,075	-	-	6,870	(925,405)	-	(925,405)
Total governmental activities	6,660,979	1,387,502	1,363,781	927,304	(2,982,392)	-	(2,982,392)
Business-type Activities:							
Wastewater Treatment Fund	1,780,289	1,012,897	-	351,591	-	(415,801)	(415,801)
Water Fund	1,201,960	1,288,396	-	53,768	-	140,204	140,204
Total business-type activities	2,982,249	2,301,293	-	405,359	-	(275,597)	(275,597)
Total primary government	\$ 9,643,228	\$ 3,688,795	\$ 1,363,781	\$ 1,332,663	(2,982,392)	(275,597)	(3,257,989)
General revenues:							
Property Taxes					3,054,171	-	3,054,171
State Shared Revenue					410,492	-	410,492
License & Permits					103,158	-	103,158
Unrestricted investment earnings					240,623	74,409	315,032
Gain (loss) on Sale of Capital Assets					(194)	5,400	5,206
Other Revenues					261,345	-	261,345
Transfers					117,550	(117,550)	-
Total general revenues					4,187,145	(37,741)	4,149,404
Change in net assets					1,204,753	(313,338)	891,415
Net assets - beginning					3,833,853	16,029,195	19,863,048
Net assets - ending					\$ 5,038,606	\$ 15,715,857	\$ 20,754,463

The accompanying notes are an integral part of these financial statements.

CITY OF FRANKENMUTH
GOVERNMENTAL FUNDS BALANCE SHEET
JUNE 30, 2008

	General	DDA Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
<u>Assets</u>				
Cash	\$ 1,026,488	\$ 283,483	\$ 289,487	\$ 1,599,458
Investments	451,898	-	51,917	503,815
Receivables				
Other	4,129	-	40	4,169
Accounts	272,885	82	8,699	281,666
Special assessments	16,540	1,777,285	86,217	1,880,042
Due from other funds	185,667	5,690	122,865	314,222
Due from other governmental units	13,955	-	87,868	101,823
Inventory	21,072	-	-	21,072
Prepaid expenditures	162,624	1,629	16,857	181,110
Total	<u>\$ 2,155,258</u>	<u>\$ 2,068,169</u>	<u>\$ 663,950</u>	<u>\$ 4,887,377</u>
<u>Liabilities</u>				
Liabilities				
Accounts payable	\$ 149,554	\$ 4,346	\$ 39,004	\$ 192,904
Accrued expenditures	78,103	3,573	-	81,676
Due to other funds	175,798	10,799	164,846	351,443
Deferred revenue	66,264	1,847,322	140,024	1,853,610
Total Liabilities	<u>469,719</u>	<u>1,666,040</u>	<u>343,874</u>	<u>2,479,633</u>
Fund Equity				
Fund Balance				
Reserved for debt retirement	-	-	28,804	28,804
Reserved for inventories	21,072	-	-	21,072
Undesignated	1,664,467	402,129	291,272	2,357,868
Total Fund Equity	<u>1,685,539</u>	<u>402,129</u>	<u>320,076</u>	<u>2,407,744</u>
Total Liabilities and Fund Equity	<u>\$ 2,155,258</u>	<u>\$ 2,068,169</u>	<u>\$ 663,950</u>	<u>\$ 4,887,377</u>

The accompanying notes are an integral part of these financial statements.

CITY OF FRANKENMUTH
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE
 SHEET TO THE CITY-WIDE STATEMENT OF NET ASSETS
 JUNE 30, 2008

Fund balances of governmental funds	\$	2,407,744
-------------------------------------	----	-----------

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources; and therefore, are not reported in the funds.

Capital assets	15,525,997
Accumulated depreciation	(4,482,226)
Adjustments to capital assets	(39)

Long-term liabilities, including bonds payable, are not due and payable in the current period; and therefore, are not reported in the funds.

(9,469,569)

Internal service funds are used by management to charge the cost of fleet management to individual funds.

The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.

Net assets of governmental activities	\$	5,038,606
---------------------------------------	----	-----------

The accompanying notes are an integral part of these financial statements.

**CITY OF FRANKENMUTH
GOVERNMENTAL FUNDS STATEMENT OF REVENUE,
EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2008**

	General	DDA Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 2,245,055	\$ 909,493	\$ -	\$ 3,154,548
Licenses	12,734	-	96,568	109,302
State	410,492	-	364,449	774,941
Charges for service	1,081,619	-	133,311	1,214,930
Fines and forfeits	11,059	-	36,788	47,847
Other revenues	1,015,672	267,924	161,026	1,444,622
Total Revenues	4,776,631	1,177,417	792,142	6,746,190
Expenditures				
General government	2,366,695	-	-	2,366,695
Public safety	1,183,600	-	-	1,183,600
Public works	346,397	-	891,138	1,237,535
Recreation and cultural	-	-	752,593	752,593
Other expenditures	236,132	370,716	88,570	695,418
Debt service				
Principal retirement	-	-	622,175	622,175
Interest and fiscal agent charges	-	-	406,957	406,957
Total Expenditures	4,132,824	370,716	2,761,433	7,264,973
Excess (Deficiency) of Revenues over Expenditures	643,807	806,701	(1,969,291)	(518,783)
Other Financing Sources (Uses)				
Proceeds from debt issuance	775,000	-	-	775,000
Operating transfers in	-	-	1,997,785	1,997,785
Operating transfers (out)	(1,238,725)	(777,054)	(176,867)	(2,192,646)
Total Other Financing Sources (Uses)	(463,725)	(777,054)	1,820,918	580,139
Excess (deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	180,082	29,647	(148,373)	61,357
Fund Balances, Beginning	1,505,457	372,482	468,449	2,346,388
Fund Balances, Ending	\$ 1,685,539	\$ 402,129	\$ 320,076	\$ 2,407,744

The accompanying notes are an integral part of these financial statements.

CITY OF FRANKENMUTH
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
 REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE TO THE
 CITY-WIDE CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES
 JUNE 30, 2008

Net change in fund balances --total governmental funds	\$ 61,356
Amounts reported for governmental activities in the statement of activities are different because:	
Capital assets used in governmental activities are not financial resources; and therefore, are not reported in the funds.	
Depreciation expense	(587,293)
Capital Outlay	1,672,727
Loss on disposal of assets	(394)
The proceeds of an issued debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets.	
Proceeds from issuance of debt	(775,000)
Repayment of debt	794,126
Internal service funds are used by management to charge the costs of fleet management to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	39,189
Elimination of balances between governmental funds	42
Change in net assets of governmental activities	<u>\$ 1,204,753</u>

The accompanying notes are an integral part of these financial statements.

CITY OF FRANKENMUTH
 PROPRIETARY FUNDS
 STATEMENT OF NET ASSETS
 JUNE 30, 2007

	Waste Water	Water	Enterprise Totals	Internal Service
<u>Assets</u>				
Current Assets				
Cash	\$ 123,024	\$ 1,274,711	\$ 1,397,735	\$ 70,932
Accounts receivable	159,710	136,290	296,000	95
Special assessments receivable	51,124	12,832	63,956	-
Due from other funds	1,964	521,056	523,020	165,618
Inventory	6,753	43,934	50,687	5,788
Prepaid Expenses	15,239	8,114	23,353	8,664
Total Current Assets	357,814	1,996,937	2,354,751	251,097
Non current Assets				
Restricted Assets	6,591,493	1,053,800	7,645,293	-
Special assessments receivable net of current portion	421,147	67,601	488,748	-
Net Capital Assets	10,321,145	3,641,666	13,962,811	816,449
Total Noncurrent Assets	17,333,785	4,763,067	22,096,852	816,449
Total Assets	\$ 17,691,599	\$ 6,760,004	\$ 24,451,603	\$ 1,067,546
<u>Liabilities and Net Assets</u>				
Current Liabilities				
Accounts Payable	\$ 28,744	\$ 203,676	\$ 232,420	\$ 9,802
Accrued Payroll	7,124	1,193	8,317	-
Due to other funds	610,915	39,457	650,372	1,045
Deferred Special Assessment Revenue	421,150	67,247	488,397	-
Current Portion of Long-Term Debt	645,850	102,200	748,050	-
Total Current Liabilities	1,713,783	413,773	2,127,556	10,847
Noncurrent Liabilities				
Bonds Payable (net of current portion and unamortized discount)	5,655,590	952,600	6,608,190	-
Total Noncurrent Liabilities	5,655,590	952,600	6,608,190	-
Total Liabilities	7,369,373	1,366,373	8,735,746	10,847
Net Assets				
Investment in capital assets- Net of related debt	4,019,705	2,586,866	6,606,571	816,449
Unrestricted	6,302,521	2,806,765	9,109,286	240,250
Total Net Assets	10,322,226	5,393,631	15,715,857	1,056,699
Total Liabilities and Net Assets	\$ 17,691,599	\$ 6,760,004	\$ 24,451,603	\$ 1,067,546

The accompanying notes are an integral part of these financial statements.

CITY OF FRANKENMUTH
 PROPRIETARY FUNDS
 STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS
 FOR THE YEAR ENDED JUNE 30, 2008

	Waste Water	Water	Enterprise Totals	Internal Service
Operating Revenues				
Sewage disposal charges	\$ 998,870	\$ -	\$ 998,870	\$ -
Water sales	-	1,270,855	1,270,855	-
Penalties on late payments	8,967	7,675	16,642	-
Hydrant rental	-	8,000	8,000	-
Billings to departments	-	-	-	413,043
Other revenues	-	16,158	16,158	-
Total Operating Revenues	<u>1,007,837</u>	<u>1,302,688</u>	<u>2,310,525</u>	<u>413,043</u>
Operating Expenses				
Transmission Maintenance	92,684	-	92,684	-
Sewage purification	1,518,110	-	1,518,110	-
Distribution System				
Maintenance, Township	-	13,130	13,130	-
Distribution System				
Maintenance, City	-	178,565	178,565	-
Purification	-	924,080	924,080	-
Motor Vehicle Maintenance	-	-	-	359,288
Administration	228,452	125,641	354,093	34,953
Customer service	2,668	30,761	33,429	-
Total Operating Expenses	<u>1,841,914</u>	<u>1,272,177</u>	<u>3,114,091</u>	<u>394,241</u>
Operating Income (Loss)	<u>(834,077)</u>	<u>30,511</u>	<u>(803,566)</u>	<u>18,802</u>
Non-Operating Revenues (Expenses)				
Interest	30,761	43,648	74,409	6,917
Miscellaneous	60,329	17,224	77,553	7,869
Gain on sale of fixed assets	5,400	-	5,400	5,601
Total Non-operating Revenues	<u>96,490</u>	<u>60,872</u>	<u>157,362</u>	<u>20,387</u>
Income before other revenues	<u>(737,587)</u>	<u>91,383</u>	<u>(646,204)</u>	<u>39,189</u>
Other Revenue				
Capital Contributions	296,322	36,544	332,866	-
Total Other Revenue	<u>296,322</u>	<u>36,544</u>	<u>332,866</u>	<u>-</u>
Increase (decrease) in net assets	<u>(441,265)</u>	<u>127,927</u>	<u>(313,338)</u>	<u>39,189</u>
Net Assets, Beginning	<u>10,763,491</u>	<u>5,265,704</u>	<u>16,029,195</u>	<u>1,017,510</u>
Net Assets, Ending	<u>\$ 10,322,226</u>	<u>\$ 5,393,631</u>	<u>\$ 15,715,857</u>	<u>\$ 1,056,699</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF FRANKENMUTH
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2008**

	Waste Water Fund	Water Fund	Enterprise Totals	Internal Service
Cash Flows From Operating Activities				
Receipts from customers	\$ 1,017,354	\$ 1,311,711	\$ 2,329,065	\$ -
Billings from other departments	-	-	-	355,292
Payments to suppliers	(638,431)	(622,589)	(1,261,020)	(168,155)
Payments to employees	(421,843)	(195,245)	(617,088)	(92,275)
Internal activity - Net payments to other funds	122,168	(243,454)	(121,286)	(20,000)
Other receipts (payments)	162,326	-	162,326	-
Net cash provided by (used in) operating activities	241,574	250,423	491,997	74,862
Cash Flows from Capital and Related Financing Activities				
Purchase of capital assets	(643,047)	(215,606)	(858,653)	(248,535)
Sale of capital assets	5,400	-	5,400	7,869
Capital contributions	296,322	36,544	332,866	-
Operating transfers	-	-	-	5,601
Principal and interest paid on capital debt	(631,430)	(97,800)	(729,230)	-
Restricted accounts receivable	604,950	97,800	702,750	-
Net cash provided by (used in) capital and related financing activities	(367,805)	(179,062)	(546,867)	(235,065)
Cash Flows from Investing Activities				
Interest received on investments	30,761	43,648	74,409	6,917
Special assessment revenue	57,335	18,064	75,399	-
Other	5,060	-	5,060	-
Net cash provided by (used in) Investing activities	93,156	61,712	154,868	6,917
Net Increase (Decrease) in Cash and cash equivalents	(33,075)	133,073	99,998	(153,286)
Cash and cash equivalents - Beginning of year	156,099	1,141,638	1,297,738	224,218
Cash and cash equivalents - End of year	\$ 123,024	\$ 1,274,711	\$ 1,397,736	\$ 70,932
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities				
Operating income (loss)	\$ (834,077)	\$ 30,511	\$ (803,566)	\$ 18,802
Adjustments to reconcile operating income (loss) to net cash from operating activities				
Depreciation	863,448	266,371	1,129,819	112,760
Receivables	170,759	18,303	189,062	417
Due from other funds	(217)	(208,520)	(208,737)	(57,751)
Other assets	12,301	(662)	11,639	(513)
Accounts payable	(156,759)	129,033	(27,726)	1,078
Accrued and other liabilities	159	377	536	-
Due to other funds	185,960	15,010	200,970	69
Net Cash provided by (used in) operating activities	\$ 241,574	\$ 250,423	\$ 491,997	\$ 74,862

The accompanying notes are an integral part of these financial statements.

CITY OF FRANKENMUTH
NOTES TO FINANCIAL STATEMENTS

NOTE 1—Summary of Significant Accounting Policies

The City of Frankenmuth is organized under Michigan's Comprehensive Home Rule City Act. City government is directed by a seven-member City Council, including the Mayor, who is elected by the community at large. This legislative body appoints a City Manager to administer the affairs of the City. The City provides the following services as authorized by its charter: public safety, highways and streets, sanitation, cultural and recreation, public improvements, planning and zoning, and general administrative services.

The City of Frankenmuth complies with Generally Accepted Accounting Principles (GAAP). The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The City has the option of following subsequent FASB guidance for its enterprise funds; however, the City has elected not to follow subsequent guidance.

The Reporting Entity

The City has adopted the position of the National Council on Governmental Accounting (NCGA) as outlined in its Statement 3, regarding the definition of the "reporting entity." The basic criterion for including a governmental department, agency, institution, commission, public authority, or other governmental organization in a governmental unit's financial report is the exercise of oversight responsibility over such agencies by the governmental unit's elected officials. Oversight responsibility include financial interdependence, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. Based upon these criteria, the Frankenmuth City-Township Commission is considered a separate governmental entity. The City has consolidated the Frankenmuth Beautification Committee into these financial statements.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the governmental and business-type activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

CITY OF FRANKENMUTH
NOTES TO FINANCIAL STATEMENTS

NOTE 1--Summary of Significant Accounting Policies (continued)

Government-wide and Fund Financial Statements (continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items that cannot be attributed directly to any one function are reported instead as general revenue.

The City does not allocate indirect costs. An administrative fee is charged by the General Fund to the other operating funds that is eliminated like a reimbursement to recover the direct costs of the General Fund services provided.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and expenditures relating to compensated absences are recorded only when payment is due.

It is the City's policy to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

CITY OF FRANKENMUTH
NOTES TO FINANCIAL STATEMENTS

NOTE 1--Summary of Significant Accounting Policies (continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation
(continued)

A fund is defined as a fiscal and accounting entity with self-balancing set of accounts which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The following fund types are used by the City:

Governmental Funds

General Fund--The General Fund is the general operating fund of the City. It is used to account for all financial resources, except those required to be accounted for in another fund.

Special Revenue Funds--Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Debt Service Funds--Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Projects Funds--Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Proprietary Funds

Enterprise Funds--Enterprise Funds report operations that provide services to citizens financed primarily by a user charge or activities where the periodic measurement of net income is deemed appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Internal Service Funds--These funds are used to record the financing of goods or services by the City to other departments and funds, or to other governmental units, on a cost reimbursement basis.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water and waste water function and various other functions of the City. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

CITY OF FRANKENMUTH
NOTES TO FINANCIAL STATEMENTS

NOTE 1--Summary of Significant Accounting Policies (continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation
(continued)

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relates to charges to customers for sales and services.

Operating expenses for proprietary funds include the cost of source of supply, transmission and distribution maintenance, and administrative and general expenses, including depreciation and capital assets.

All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Cash

Cash includes cash on hand and demand deposits.

Investments

Investments include money markets fund and are stated at fair value.

Receivables

Receivables consist of all revenues earned at year-end but not yet received. Outstanding balances between funds are reported as "due to/from other funds".

Any residual balances outstanding between the governmental activities and the business-type activities are reported in the governmental-wide financial statements as "internal balances".

Inventories

Inventories consist of expendable supplies held for the City's use and are carried at cost using the first-in, first-out method.

Prepaid

Prepaid amounts consist of payments for which the City will have a future benefit and will be used up at a date beyond the current year-end.

CITY OF FRANKENMUTH
NOTES TO FINANCIAL STATEMENTS

NOTE 1--Summary of Significant Accounting Policies (continued)

Capital Assets and Depreciation

Capital assets purchased or acquired with an original cost of \$1,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized.

Other costs incurred for repairs and maintenance are expensed as incurred. The City owns infrastructure assets such as water and sewer systems and roads and sidewalks. Depreciation on all assets is provided on the straight-line method.

Assets are depreciated over the following estimated useful lives:

Equipment and other	3-10 years
Vehicles	5-10 years
Buildings	50 years
Water and sewer mains	20-50 years
Water Towers	50 years
Water Meters	10-20 years
Other equipment	5-10 years
Infrastructure	5-50 years

The City elected not to retroactively report some infrastructure assets, which is allowable under the provisions of GASB 34.

Accounts Payable

Accounts payable consist of items from which the City benefited during the current fiscal year but has not yet paid.

Accrued Sick Leave

Accumulated and unused sick leave at year end is recognized as a liability of the respective funds in which each employee's wages are reported. The liability is calculated based upon various labor terms. Total accrued sick leave at June 30, 2008, was \$89,992.

Deferred Revenue

Deferred revenue represents amounts for which the City has received or is due to receive but has not yet earned. The revenues are deferred until the proceeds have been fully expensed/expended.

CITY OF FRANKENMUTH
NOTES TO FINANCIAL STATEMENTS

NOTE 1—Summary of Significant Accounting Policies (continued)

Long-term Obligations

In the government-wide financial statements, and in the proprietary fund financial statements, long-term debt is reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Inter-fund Activity

Inter-fund activity is reported as payables and transfers. Both are eliminated upon consolidation.

Property Taxes

City property taxes are an enforceable lien on property, when levied on July 1. They are due without penalty on or before July 31. These summer tax bills include the City's own property taxes, and a portion of Saginaw County taxes billed on behalf of the Intermediate School District and Delta College. Real property taxes not collected as of March 1 are returned to Saginaw County for collection. The County settles with the City for 100% of the delinquent real property taxes. Collection of delinquent personal property taxes remains the responsibility of the City Treasurer. Property taxes levied in July of each year are recognized as revenue in that year.

The City acts as a collection agent for a portion of Saginaw County, Saginaw ISD, Delta College and the Frankenmuth School District for winter property taxes. Taxes collected on behalf of these entities are turned over immediately following collection, and are accounted for in a designated agency fund. At December 31, 2007, the taxable value of real and personal property located in the City totaled \$266,747,377, including industrial and commercial facilities. The City taxable value, exclusive of industrial facilities and commercial facilities tax units, amounted to \$266,352,327.

CITY OF FRANKENMUTH
NOTES TO FINANCIAL STATEMENTS

NOTE 1--Summary of Significant Accounting Policies (continued)

Property Taxes (continued)

The levy for the year was based on the following rate:

	<u>Millage Rate Used</u>	<u>Authorized Millage Rate by Either State Law or City Charter</u>
General Operating	9.60	20* General

*Limited by Headlee amendment to 18.7860 mills

NOTE 2--Stewardship, Compliance and Accountability

Budgets and Budgetary Accounting

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. At their March meeting, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget is adopted by activity.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is legally enacted through passage of a resolution at the April City Council meeting.
4. Formal budgetary integration is employed as a measurement control device during the year for all funds.
5. Budgets for all funds are adopted and have been prepared in accordance with accounting principles generally accepted in the United States of America.
6. The legal level of budgetary control adopted by the City is the activity level.
7. Adoption and amendments of all budgets used by the City are governed by Public Act 621. The appropriations resolutions are based on the projected expenditures budget of the department heads of the City. Any amendment to the original budget must meet the requirements of Public Act 621. The City did amend its budget for the fiscal year. Any revisions that alter the total expenditures of any fund must be approved by the City Council.

CITY OF FRANKENMUTH
NOTES TO FINANCIAL STATEMENTS

NOTE 3--Deposits and Investments

The City is authorized, by the State of Michigan, to deposit its funds in banks, savings and loan associations, or credit unions having a principal office in Michigan.

The City is also authorized to invest in the following:

- a. U.S. Treasury Bills, U.S. Treasury Notes, U.S. Treasury Bonds, and U.S. Treasury STRIPS,
- b. TINTS-Treasury Interest Securities,
- c. PRINS or STRIPS-Treasury Principal Securities,
- d. Certificates of Deposits, Saving Deposit Receipt and Savings Accounts,
- e. Commercial Paper-short term unsecured debt obligation issued by a bank holding company, finance company, utility or industrial company to raise short term cash,
- f. Repurchase Agreements,
- g. Banker's Acceptance,
- h. Investment Pools.

Cash and cash equivalents include demand deposits with original maturities of 90 days or less. All cash is held by federally insured financial institutions. The FDIC and NCUA insure up to \$100,000 in demand deposits; however, separately named accounts of a governmental entity in a single financial institution may not necessarily be treated as separate deposits for the \$100,000 limitation. After June 30, 2008 the \$100,000 limit was raised to \$250,000. Investments consist of money market funds. These investments are carried at fair market value. A summary of cash and investments follow:

	Insured	Collateralized	Uninsured Uncollateralized	Total
Governmental Activities				
Cash	\$ 100,000	\$ -	\$ 1,194,690	\$ 1,294,690
Investments	100,000	-	403,815	503,815
Business-type Activities				
Cash	100,000	-	14,588,667	14,688,667
Total Deposits & Investments	<u>\$ 300,000</u>	<u>\$ -</u>	<u>\$ 16,187,172</u>	<u>\$ 16,487,172</u>

CITY OF FRANKENMUTH
NOTES TO FINANCIAL STATEMENTS

NOTE 3--Deposits and Investments (continued)

Some of the operating cash of the City is handled through a common checking account at a bank. Each Fund's share of the cash balance is accounted for by using a separate cash general ledger account within each fund.

The investment policy of the City is to invest its funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow needs of the City and comply with all state statutes governing the investment of public funds.

NOTE 4--Capital Assets

Capital assets activity for the year ended June 30, 2008, was as follows:

	Balance July 1, 2007	Additions	Adjustments	Disposals	Balance June 30, 2008
GOVERNMENTAL ACTIVITIES					
Capital assets not subject to depreciation					
Land	\$ 164,135	\$ 1,301,391	\$ -	\$ -	\$ 1,465,526
Subtotal	164,135	1,301,391	-	-	1,465,526
Capital assets subject to depreciation					
Infrastructure	7,749,933	284,634	-	-	8,034,567
Furniture and Equipment	1,471,739	72,947	39	153,845	1,390,880
Vehicles	1,085,234	262,292	-	23,511	1,324,015
Buildings	5,283,503	-	-	9,832	5,273,671
Subtotal	15,590,409	619,873	39	187,188	16,023,133
Accumulated Depreciation					
Infrastructure	1,842,869	356,216	-	-	2,199,085
Furniture and Equipment	970,717	97,226	-	153,844	914,099
Vehicles	652,883	93,893	-	23,511	723,265
Buildings	1,648,750	152,718	-	9,439	1,792,029
Subtotal	5,115,219	700,053	-	186,794	5,828,478
Net capital assets being depreciated	10,475,190	(80,180)	39	394	10,394,655
Net governmental capital assets	\$ 10,639,325	\$ 1,221,211	\$ 39	\$ 394	\$ 11,860,181

CITY OF FRANKENMUTH
NOTES TO FINANCIAL STATEMENTS

NOTE 4--Capital Assets (continued)

	Balance July 1, 2007	Additions	Disposals	Balance June 30, 2008
BUSINESS-TYPE ACTIVITIES				
Capital assets not subject to depreciation				
Land	\$ 22,963	\$ -	\$ -	\$ 22,963
Subtotal	22,963	-	-	22,963
Capital assets subject to depreciation				
Buildings	18,115,445	7,636	-	18,123,081
Water towers	533,842	-	-	533,842
Distribution systems	6,688,937	812,753	-	7,501,690
Collection systems	2,922,044	-	-	2,922,044
Machinery & equipment	1,339,499	31,555	-	1,371,054
Meters & boxes	338,421	6,707	-	345,128
Furniture & fixtures	59,492	-	-	59,492
Subtotal	29,997,680	858,651	-	30,856,331
Accumulated Depreciation				
Buildings	10,227,607	666,381	-	10,893,988
Water towers	323,690	10,269	-	333,979
Distribution systems	2,825,572	251,812	-	3,077,384
Collection systems	1,225,014	132,653	-	1,357,667
Machinery & equipment	889,444	59,484	-	948,928
Meters & boxes	248,223	7,228	-	255,451
Furniture & fixtures	47,115	1,971	-	49,086
Subtotal	15,786,665	1,129,818	-	16,916,483
Net capital assets being depreciated	14,211,015	(271,167)	-	13,939,848
Net Business-type capital assets	\$ 14,233,978	\$ (271,167)	\$ -	\$ 13,962,811

Depreciation expense was charged as follows:

Governmental activities:	
General government	\$ 42,671
Public safety	37,015
Public works	10,298
Recreation and culture	167,706
Economic Development - DDA	309,894
Highway & Streets	19,709
Internal Service	112,760
Total governmental activities	\$ 700,053
Business-type activities:	
Waste Water Treatment	\$ 863,448
Water	266,371
Total business-type activities	1,129,819

CITY OF FRANKENMUTH
NOTES TO FINANCIAL STATEMENTS

NOTE 5--Inter-fund Receivables, Payables and Transfers

The composition of inter-fund balances as of June 30, 2008, is as follows:

Due To/From Other Funds									
Receivable		Payable		Receivable		Payable			
General	\$ 73,192	Major Street	\$ 73,192	Waste Water	\$ 472	General	\$ 472		
	19,994	Local	19,994		645	Parks & Recreation	645		
	7,270	Parks & Recreation	7,270		50	Library	50		
	4,422	DDA	4,422		797	Water	797		
	458	Building	458		<u>\$ 1,964</u>		<u>\$ 1,964</u>		
	2,755	Library	2,755						
	72,474	Waste Water	72,474	Water	\$ 8,414	General	\$ 8,414		
	4,323	Water	4,323		57	Major Street	57		
	779	Equipment	779		429	Local Street	429		
	<u>\$ 185,667</u>		<u>\$ 185,667</u>		794	Parks & Recreation	794		
					1,744	DDA	1,744		
Major Street	\$ 55,000	General	\$ 55,000		80	Library	80		
					509,538	Waste Water	509,538		
Local Street	\$ 15,262	General	\$ 15,262		<u>\$ 521,056</u>		<u>\$ 521,056</u>		
Parks & Recreation	\$ 24,603	General	\$ 24,603	Equipment	\$ 38,644	General	\$ 38,644		
					12,945	Major Street	12,945		
DDA	\$ 5,408	General	\$ 5,408		15,023	Local Street	15,023		
	16	Parks & Recreation	16		30,411	Parks & Recreation	30,411		
	266	Equipment	266		4,633	DDA	4,633		
	<u>\$ 5,424</u>		<u>\$ 5,424</u>		486	Building	486		
					240	Library	240		
Debt service	\$ 27,995	General	\$ 27,995		28,903	Waste Water	28,903		
					34,332	Water	34,332		
Building	\$ 5	Parks & Recreation	\$ 5		<u>\$ 165,617</u>		<u>\$ 165,617</u>		
	5	Water	5						
	<u>\$ 10</u>		<u>\$ 10</u>						

The majority of the interfund receivables and payables for the City consist of amounts due to the General fund for administrative charges, to Water and Waste Funds for service charges, and to the Equipment fund for equipment rental charges. The majority of interfund transfers consisted of payments from the General Fund for operations of the Special Revenue funds and transfers to Debt Service for the payment of bond principal and interest.

CITY OF FRANKENMUTH
NOTES TO FINANCIAL STATEMENTS

NOTE 5--Inter-fund Receivables, Payables and Transfers (continued)

The composition of inter-fund transfers as of June 30, 2008, is as follows:

<u>Transfers In/Out</u>							
<u>Transfers In</u>		<u>Transfers Out</u>		<u>Transfers In</u>		<u>Transfers Out</u>	
General	\$ 45,523	Debt Service	\$ 45,523	Debt Service	\$ 99,070	General	\$ 99,070
				Debt Service	106,867	Major Street	106,867
Major Street	\$ 272,000	General	\$ 272,000	Debt Service	20,000	Local Street	20,000
				Debt Service	767,054	DDA	767,054
Local Street	\$ 150,000	General	\$ 150,000		\$ 992,991		\$ 992,991
	33,000	Major Street	33,000				
	121,315	Capital projects	121,315	Waste	\$ 43,753	Capital projects	\$ 43,753
	\$ 304,315		\$ 304,315		79,523	General	79,523
					\$ 123,276		\$ 123,276
Parks	\$ 288,000	General	\$ 288,000				
				Water	\$ 33,809	Capital projects	\$ 33,809
Library	\$ 186,000	General	\$ 186,000				

NOTE 6--Defined Benefit Pension Plan

Plan Description

The City's defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The City participates in the Municipal Employees Retirement System of Michigan (MERS), an agent multiple-employer plan administered by the MERS Retirement Board, Act No. 427 of the Public Acts of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. The Municipal Employees Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing the Municipal Employees Retirement System of Michigan, 447 N. Canal Road, Lansing, Michigan 48917 or by calling (800) 767-6377. Employees hired after January 1, 2007 will participate in a defined contribution plan with an employer match at 3% and a mandatory employee match of 3%.

Funding Policy

The City is required to contribute at an actuarially determined rate; the rate at June 30, 2008 was 12.40% for general employees, and 16.69% for police officers of annual covered payroll. City employees are required to contribute 4.5% of their annual compensation. The contribution requirements of the City are established and may be amended by the Retirement Board of MERS. The contribution requirements of plan members, if any, are established and may be amended by the City depending on the MERS contribution program adopted by the City.

CITY OF FRANKENMUTH
NOTES TO FINANCIAL STATEMENTS

NOTE 6—Defined Benefit Pension Plan (continued)

Annual Pension Cost

For the year ended June 30, 2008, the City's annual pension cost of \$233,780 for MERS was equal to the City's required and actual contributions. The required contribution was determined as part of the December 31, 2006, actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) an assumed rate of investment return, which is used to discount liabilities and project what plan assets will earn, (b) a mortality table projecting the number of employees who will die before retirement and duration of benefit payments after retirement, (c) assumed retirement rates projecting when employees will retire and commence receiving benefits, (d) a set of withdrawal and disability rates to estimate the number of employees who will leave the work force before retirement, (e) assumed rates of salary increase to project employees' compensation in future years. The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return and includes an adjustment to reflect market value.

Three-year Trend Information

Fiscal Year Ended	Annual Pension Cost	Percentage of APC Contributed
6/30/2006	\$ 188,832	100%
6/30/2007	\$ 225,100	100%
6/30/2008	\$ 233,780	100%

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability Entry Age (b)	Unfunded (Over Funded) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll (b-a)/(c)
12/31/2005	\$ 7,924,946	\$ 9,580,878	\$ 1,655,932	98%	\$ 1,682,140	98%
12/31/2006	\$ 8,348,784	\$ 10,317,868	\$ 1,969,084	81%	\$ 1,649,228	119%
12/31/2007	\$ 8,839,579	\$ 10,818,032	\$ 1,978,453	82%	\$ 1,724,756	115%

NOTE 7--Unemployment Compensation

The City is subject to the Michigan Employment Security Act and has elected the reimbursement method of financing. Under this method, the City must reimburse the Employment Commission for all benefits charged against the City. For the year ended June 30, 2008, the City did not incur any unemployment expense.

CITY OF FRANKENMUTH
NOTES TO FINANCIAL STATEMENTS

NOTE 8--Long-Term Debt

Long-term debt obligations for the year ended June 30, 2008, were as follows:

	Balance July 1, 2007	Additions	Retirements	Balance June 30, 2008	Current Portion
Governmental Activities					
General Obligation Bonds					
2000 General Fund Streetscape			-		
Amount of issue: \$1,200,000					
Maturing through 10/1/16	\$ 780,000	\$ -	\$ 60,000	\$ 720,000	\$ 65,000
1999 Major Street Bonds					
Amount of issue: \$332,000					
Maturing through 9/1/14	170,000	-	25,000	145,000	25,000
1999 MTF Bonds					
Amount of issue: \$380,000					
Maturing through 3/1/13	190,000	-	30,000	160,000	30,000
2000 DDA North Main Bonds					
Amount of issue: \$940,000					
Maturing through 5/1/2020	140,000	-	40,000	100,000	50,000
2001 DDA Phase 3 Bonds					
Amount of issue: \$1,300,000					
Maturing through 5/1/2021	220,000	-	50,000	170,000	50,000
EDC Technology Park Bonds					
Amount of issue: \$164,900					
Maturing through 9/1/09	64,999	-	25,117	39,882	26,285
Harvey Kern Pavilion Bonds					
Amount of issue: \$1,050,000					
Maturing through 10/18/2011	706,171	-	146,834	559,337	152,219
2005 Downtown Development Refunding Bonds					
Amount of issue: \$3,260,000					
Maturing through 05/01/2021	3,240,000	-	160,000	3,080,000	165,000
Municipal purchase agreement					
Amount of issue: \$775,000					
Maturing through 01/01/2013	-	775,000	-	775,000	38,359
Total Governmental Activities					
General Obligation Bonds	<u>\$ 5,511,170</u>	<u>\$ 775,000</u>	<u>\$ 536,951</u>	<u>\$ 5,749,219</u>	<u>\$ 601,863</u>

CITY OF FRANKENMUTH
NOTES TO FINANCIAL STATEMENTS

NOTE 8—Long-Term Debt (continued)

	Balance July 1, 2007	Additions	Retirements	Balance June 30, 2008	Current Portion
Governmental Activities					
Special Assessment Bonds					
2001 DDA Phase 3 Bonds					
Amount of issue: \$750,000					
Maturing through 10/1/25	\$ 535,000	\$ -	\$ 45,000	\$ 490,000	\$ 45,000
1997 DDA Bonds					
Amount of issue: \$1,415,000					
Maturing through 10/1/21	880,000	-	55,000	825,000	60,000
1988 Homestead Village Bonds					
Amount of issue: \$295,000					
Maturing through 11/1/08	35,000	-	35,000	-	-
1999 Major Street Bonds					
Amount of issue: \$332,000					
Maturing through 9/1/14	170,000	-	25,000	145,000	25,000
1999 DDA North Main Bonds					
Amount of issue: \$380,000					
Maturing through 9/1/24	290,000	-	15,000	275,000	15,000
1999 DDA North Main Bonds					
Amount of issue: \$295,000					
Maturing through 9/1/24	220,000	-	10,000	210,000	15,000
2004 Weiss Street Bonds					
Amount of issue: \$1,800,000					
Maturing through 4/1/24	1,620,000	-	60,000	1,560,000	60,000
2001 DDA Snowmelt Bonds					
Amount of issue: \$490,000					
Maturing through 9/1/16	380,000	-	25,000	355,000	35,000
Total Governmental Activities					
Special Assessment Bonds	<u>\$ 4,130,000</u>	<u>\$ -</u>	<u>\$ 270,000</u>	<u>\$ 3,860,000</u>	<u>\$ 255,000</u>

The 2001 DDA Phase 3 bonds are related to debt in both the Governmental activities and the Business-type activities. Of the \$490,000 balance, \$139,650 is debt held in the Waste Water Treatment Fund.

CITY OF FRANKENMUTH
NOTES TO FINANCIAL STATEMENTS

NOTE 8--Long-Term Debt (continued)

	Balance July 1, 2007	Additions	Retirements	Balance June 30, 2008	Current Portion
Business-type Activities					
General Obligation Bonds					
2001 Waste Treatment Bonds					
Amount of issue: \$300,000					
Maturing through 10/1/15	\$ 210,000	\$ -	\$ 20,000	\$ 190,000	\$ 20,000
2004 Waste Plant Expansion Bonds					
Amount of issue: \$1,200,000					
Maturing through 5/1/12	735,000	-	135,000	600,000	140,000
1997 Water Improvement Bonds					
Amount of issue: \$940,000					
Maturing through 5/1/17	615,000	-	45,000	570,000	50,000
2001 Waste Sag. Co. DPW Bonds					
Amount of issue: \$1,660,000					
Maturing through 6/1/16	1,185,000	-	110,000	1,075,000	115,000
1999 Waste Treatment SRF Bonds					
Amount of issue: \$6,645,000					
Maturing through 4/1/19	4,335,000	-	320,000	4,015,000	325,000
Special Assessment Bonds					
2002 E Tuscola Area Bonds					
Amount of issue: \$1,225,000					
Maturing through 10/1/16	875,000	-	90,000	785,000	85,000
Total Business-type Activities	\$ 7,955,000	\$ -	\$ 720,000	\$ 7,235,000	\$ 735,000

Annual debt service requirements to maturity for the above governmental and business-type bonds and contracts are as follows:

	Governmental Activities			Business-type Activities		
June 30,	Principal	Interest	Total	Principal	Interest	Total
2009	\$ 856,749	\$ 390,690	\$ 1,247,439	\$ 735,000	\$ 236,949	\$ 971,949
2010	852,088	384,693	1,236,779	760,000	211,274	971,274
2011	870,899	348,714	1,219,613	780,000	184,724	964,724
2012	807,779	311,365	1,119,144	815,000	156,732	971,732
2013	1,311,706	279,866	1,591,572	665,000	127,495	792,495
2014-2018	3,150,000	771,492	3,921,492	3,075,000	296,207	3,371,207
2019-2023	1,520,000	259,301	1,779,301	405,000	9,112	414,112
2024-2026	240,000	12,957	252,957	-	-	-
Totals	\$ 9,609,219	\$ 2,759,078	\$12,368,297	\$ 7,235,000	\$ 1,222,493	\$ 8,457,493

For the year ended June 30, 2008, the total interest paid on bonded debt was \$621,955.

Total principal on long-term debt for the City, including compensated absences, totaled \$16,934,211 for the year ended June 30, 2008.

CITY OF FRANKENMUTH
NOTES TO FINANCIAL STATEMENTS

NOTE 9--Restricted Assets, Enterprise Funds

Accounts Receivable totaling \$6,591,493 in the Waste Treatment Fund and totaling \$1,053,800 in the Water Fund are restricted and represent amounts due from customers for repayment of general obligation bonds.

NOTE 10--Reserved Fund Balances and Restricted Net Assets

The amount of \$100,579 in the debt service fund has been reserved and can be used solely for the retirement of debt.

NOTE 11--Downtown Development Authority Captured Value

The Downtown Development Authority initial assessed valuation was established when the district was set. Subsequent to that initial value, additions and deletions to that valuation are captured and tax dollars from that captured value are recorded in the Downtown Development Authority Fund. Proposal A changed the formula to exclude school operating millage in the captured formula.

NOTE 12--Self-Insurance Program

The City of Frankenmuth offers a self-insured dental and medical plan to all full-time employees. The City established a fund for these claims through Michigan Employee Benefit Services. Employee claims are handled through MEBS. The City is billed for the excess of the claims over the fund.

NOTE 13--Risk Management

The City of Frankenmuth is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2008, the City of Frankenmuth participated in the Michigan Municipal Liability and Property Pool, a public entity risk pool currently operating as a common risk management program for municipalities in the State of Michigan. The City Council pays an annual premium to the pool for its general insurance coverage. The pool is self-sustaining through member premiums.

During the year ended June 30, 2008, the City also participated in the Michigan Municipal Worker's Compensation Self-Insurer's Fund (SIF) for its workers' compensation benefits. The SIF is also a common risk management program for municipalities in the State of Michigan and is self-sustaining through premiums. In the event of unusually high claims, both the SIP and the SIF have the authority to bill the members retroactively. The City continues to carry commercial insurance for other risks of loss, including employee health and property insurance.

CITY OF FRANKENMUTH
NOTES TO FINANCIAL STATEMENTS

NOTE 14--Post Employment Benefits

In addition to the pension benefits described in Note 6, the City of Frankenmuth provides post employment health insurance benefits in accordance with City's personnel regulations. In order to be eligible for health insurance coverage, a retiree must have at least ten years of full-time employment and be eligible for retirement benefits through the Municipal Employees Retirement System. For employees with at least ten years but less than thirty years of full-time employment the City will provide to retirees under sixty-five the Community Blue P.P.O. health plan with limited prescription coverage. The City will provide to retirees sixty-five years of age and over the Blue Cross Blue Shield Supplemental Coverage for Medicare benefits. After the retiree is eligible for Medicare, the retiree must pay the entire premium of the Blue Cross Blue Shield coverage. Currently, there are five participants.

For the year ended June 30, 2008, the cost for health insurance benefits to retirees was \$24,415.

NOTE 15--Contingencies and Commitments

The City is a third party guarantor of a loan between the Frankenmuth Chamber of Commerce and Standard Federal Bank in the amount of \$149,281 for remodeling of the Chamber building which the Chamber leases from the City.

Note 16--Joint Venture

In 1960, the City entered into a Joint Venture with the Township of Frankenmuth to form the Frankenmuth City-Township Commission. The Commission manages jointly owned property and equipment. The City contributes to the Frankenmuth City-Township Commission based upon the adopted budget of the Commission. Contributions to the Commission for the year ended June 30, 2008, are as follows: General Fund \$48,237, Fire Fund \$93,196, Cemetery \$3,864 and Debt Service \$96,587.

NOTE 17--Advance Refund of Bond Resulting in Defeasance of Debt

During the fiscal year ended June 30, 2006, the City issued \$3,260,000 in general obligation-refunding bonds with interest rates ranging between 2.75% to 4.40%. The City issued the bonds to advance refund \$3,150,000 of the outstanding series 1997 Downtown Development Bonds, 2000 Downtown Development Bonds and 2001 Downtown Development Bonds with interest rates ranging from 4.85% to 5.75%. The City used the net proceeds along with other sources to purchase State and Local Government securities. These securities were deposited in an irrevocable trust to provide for all future debt service on the refunded series bonds. As a result, the above mentioned series bonds are considered defeased, and the City has removed the liability from its accounts. The outstanding principal of the defeased bonds is \$3,010,000 as of June 30, 2008.

CITY OF FRANKENMUTH
NOTES TO FINANCIAL STATEMENTS

NOTE 17--Advance Refund of Bond Resulting in Defeasance of Debt (continued)

The advance refunding reduced the total debt service payments over the next 20 years by \$140,638. This results in an economic gain (the difference between the present values of the debt service payments on the old and new debt) of \$101,184.

NOTE 18--Library

The James E. Wickson Memorial Library received approval from the City Council and the Frankenmuth School Board to become a District Library for the community effective July 1, 2008.

REQUIRED SUPPLEMENTAL INFORMATION

**CITY OF FRANKENMUTH
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2008**

	Original Budget	Amended Budget	Revenue and Expenditures Actual
Revenues			
Taxes	\$ 2,215,000	\$ 2,215,000	\$ 2,245,055
State revenue	400,500	400,500	410,492
Licenses and permits	10,000	10,000	12,734
Charges for Service	1,175,100	1,175,100	1,081,619
Fines and forfeits	18,400	18,400	11,059
Other revenues	376,000	376,000	1,015,672
Total Revenues	4,195,000	4,195,000	4,776,631
Expenditures			
General Government	1,140,085	2,445,391	2,366,695
Public Safety	1,108,955	1,153,553	1,183,600
Highways and streets	140,500	140,500	78,615
Sanitation	284,800	284,800	267,782
Other Expenditures	375,000	383,500	236,132
Total Expenditures	3,049,340	4,407,744	4,132,824
Excess (Deficiency) of Revenues over Expenditures	1,145,660	(212,744)	643,807
Other Financing Sources (Uses)			
Operating Transfers In	-	-	775,000
Operating Transfers In (Out)	(1,150,660)	(1,155,661)	(1,238,725)
Total Other Financing Sources (Uses)	(1,150,660)	(1,155,661)	(463,725)
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(5,000)	(1,368,405)	180,082
Fund Balances, Beginning	1,505,457	1,505,457	1,505,457
Fund Balances, Ending	\$ 1,500,457	\$ 137,052	\$ 1,685,539

See independent auditor's report

CITY OF FRANKENMUTH
DDA FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2008

	Original Budget	Amended Budget	Revenues and Expenditures Actual
Revenues			
Taxes levied	\$ 67,550	\$ 67,550	\$ 67,447
Taxes captured	907,540	907,540	842,046
Total Taxes	975,090	975,090	909,493
Other Revenue			
Special assessments	152,200	152,200	129,963
Interest earnings	114,910	114,910	136,627
Miscellaneous	1,000	1,000	1,334
Total other revenues	268,110	268,110	267,924
Total revenues	1,243,200	1,243,200	1,177,417
Expenditures			
Administration	184,045	184,045	165,696
Maintenance	188,250	188,250	205,020
Total expenditures	372,295	372,295	370,716
Excess of revenues over expenditures	870,905	870,905	806,701
Other financing sources (uses)			
Transfer out	(781,344)	(781,344)	(777,054)
Total other financing sources (uses)	(781,344)	(781,344)	(777,054)
Excess revenues and other financing sources over expenditures and other (uses)	89,561	89,561	29,647
Fund balance, beginning	372,482	372,482	372,482
Fund balance, ending	\$ 462,043	\$ 462,043	\$ 402,129

See independent auditor's report

CITY OF FRANKENMUTH
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION

The major funds of the City of Frankenmuth are determined annually and therefore may change from one year to the next.

OTHER SUPPLEMENTAL INFORMATION

CITY OF FRANKENMUTH
GENERAL FUND

City of Frankenmuth
General Fund
Comparative Balance Sheets
June 30, 2008 and 2007

<u>Assets</u>	<u>2008</u>	<u>2007</u>
Cash	\$ 1,026,488	\$ 1,449,227
Investments	451,898	66,077
Receivables		
Other	4,129	5,047
Accounts	272,885	77,947
Special assessment receivable	16,540	18,589
Due from other funds	185,667	152,843
Due from other governmental units	13,955	11,118
Inventory, supplies	21,072	14,776
Prepaid expenditures	162,624	80,777
Total Assets	<u>\$ 2,155,258</u>	<u>\$ 1,876,401</u>
 <u>Liabilities and Fund Balance</u>		
Liabilities		
Accounts payable	\$ 149,554	\$ 127,184
Due to other funds	175,798	92,469
Accrued expenditures	78,103	71,803
Deferred revenue	66,264	79,688
Total Liabilities	<u>469,719</u>	<u>370,944</u>
Fund Equity		
Fund Balance		
Reserved for inventories	21,072	14,776
Fund balance-Undesignated	1,664,467	1,490,681
Total Fund Equity	<u>1,685,539</u>	<u>1,505,457</u>
Total Liabilities and Fund Balance	<u>\$ 2,155,258</u>	<u>\$ 1,876,401</u>

See independent auditor's report

City of Frankenmuth
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2008
(With Comparative Actual Amounts for the Year Ended June 30, 2007)

	2008			2007
	Budget	Actual	Over (Under) Budget	Actual
Revenues				
Taxes	\$ 2,215,000	\$ 2,215,055	\$ 30,055	\$ 2,193,101
State revenue	400,500	410,492	9,992	411,800
Licenses and permits	10,000	12,734	2,734	9,330
Charge for services	1,175,100	1,081,619	(93,481)	1,020,293
Fine and forfeits	18,400	11,059	(7,341)	18,579
Other revenues	376,000	1,015,672	639,672	333,104
Total revenues	<u>4,195,000</u>	<u>4,776,631</u>	<u>581,631</u>	<u>3,986,207</u>
Expenditures				
General government	2,445,391	2,366,695	(78,696)	1,057,303
Public safety	1,153,553	1,183,600	30,047	1,097,272
Highway and streets	140,500	78,615	(61,885)	112,063
Sanitation	284,800	267,782	(17,018)	269,105
Other expenditures	383,500	236,132	(147,368)	269,356
Total expenditures	<u>4,407,744</u>	<u>4,132,824</u>	<u>(274,920)</u>	<u>2,805,099</u>
Excess of revenues over expenditures	<u>(212,744)</u>	<u>643,807</u>	<u>856,551</u>	<u>1,181,108</u>
Other financing sources (uses)				
Sources	-	775,000	775,000	-
(Uses)	(1,155,661)	(1,238,725)	(83,064)	(1,097,563)
Total other financing sources (uses)	<u>(1,155,661)</u>	<u>(463,725)</u>	<u>691,936</u>	<u>(1,097,563)</u>
Excess revenues and other financing sources over expenditures and other (uses)	<u>(1,368,405)</u>	<u>180,082</u>	<u>1,548,487</u>	<u>83,545</u>
Fund balance, beginning	<u>1,505,457</u>	<u>1,505,457</u>	<u>-</u>	<u>1,421,912</u>
Fund balance, ending	<u>\$ 137,052</u>	<u>\$ 1,685,539</u>	<u>\$ 1,548,487</u>	<u>\$ 1,505,457</u>

See independent auditor's report

City of Frankenmuth
General Fund-Statement of Revenues
Budget and Actual
For the Year Ended June 30, 2008
(With Comparative Actual Amounts for the Year Ended June 30, 2007)

	2008		Over (Under) Budget	2007
	Budget	Actual		Actual
Revenues				
Taxes				
Real property taxes	\$ 1,925,000	\$ 1,979,879	\$ 54,879	\$ 1,870,854
Personal property taxes	190,000	156,556	(33,444)	216,159
Administration fee	100,000	108,620	8,620	106,088
Total taxes	<u>2,215,000</u>	<u>2,245,055</u>	<u>30,055</u>	<u>2,193,101</u>
State revenues				
State revenue sharing	15,000	17,720	2,720	17,085
State grant - PA#302	1,500	1,988	488	2,078
State shared liquor licenses	12,000	12,928	928	11,374
State shared statutory	52,000	46,676	(5,324)	49,569
State shared constitutional	320,000	331,180	11,180	331,694
Total state revenues	<u>400,500</u>	<u>410,492</u>	<u>9,992</u>	<u>411,800</u>
Fees				
Zoning fees	10,000	12,734	2,734	9,330
Total fees	<u>10,000</u>	<u>12,734</u>	<u>2,734</u>	<u>9,330</u>
Charges for services				
Marriage fees	1,000	305	(695)	675
Customer services	125,000	127,124	2,124	113,443
Reserve police services	5,000	9,644	4,644	3,874
Refuse collection	325,000	316,139	(8,861)	323,298
Township police services	199,732	199,732	-	192,456
Recovery of benefits	100,000	124,699	24,699	96,495
DPW fringe benefit recovery	136,000	137,076	1,076	127,544
Administration fee	283,368	166,900	(116,468)	162,508
Total charges for services	<u>1,175,100</u>	<u>1,081,619</u>	<u>(93,481)</u>	<u>1,020,293</u>
Fines and forfeits				
Penalties on tax collections	12,000	8,243	(3,757)	15,369
Ordinance fines	4,000	697	(3,303)	1,091
Penalties on refuse collection	2,400	2,119	(281)	2,119
Total fines and forfeits	<u>18,400</u>	<u>11,059</u>	<u>(7,341)</u>	<u>18,579</u>
Other revenues				
Interest	50,000	76,609	26,609	77,365
Sale of fixed assets	5,000	199	(4,801)	3,120
Donations	160,000	883,262	723,262	208,614
Miscellaneous	10,000	25,095	15,095	15,344
Tower site leases	30,000	26,458	(3,542)	26,905
Special assessments	121,000	4,049	(116,951)	1,756
Proceeds from debt issuance	-	775,000	775,000	-
Total other revenues	<u>376,000</u>	<u>1,790,672</u>	<u>1,414,672</u>	<u>333,104</u>
Total revenues	<u>\$ 4,195,000</u>	<u>\$ 5,551,631</u>	<u>\$ 1,356,631</u>	<u>\$ 3,986,207</u>

See independent auditor's report.

City of Frankenmuth
General Fund
Statement of Expenditures
Budget and Actual (continued)
For the Year Ended June 30, 2008
(With Comparative Actual Amounts for the Year Ended June 30, 2007)

	2008			2007
	Budget	Actual	Over (Under) Budget	Actual
Expenditures				
General Government				
Election	\$ 8,000	\$ 2,051	\$ (5,949)	\$ 7,232
Independent audit	9,600	8,800	(800)	9,100
Assessor	14,600	10,496	(4,104)	13,921
General office staff	546,100	505,876	(40,224)	511,564
City-Township hall and grounds	48,327	48,247	(80)	36,445
City property	118,841	106,794	(12,047)	88,500
City property-capital outlay	1,291,809	1,301,391	9,582	-
City-Township cemetery	3,864	3,864	-	2,964
City Hall	78,000	60,781	(17,219)	79,952
Other personal services and supplies	326,250	318,395	(7,855)	307,625
Total General Government	<u>2,445,391</u>	<u>2,366,695</u>	<u>(78,696)</u>	<u>1,057,303</u>
Public Safety				
Police department	941,298	974,136	32,838	892,809
Fire protection	197,755	197,755	-	194,519
Flood protection	14,500	11,709	(2,791)	9,844
Total Public Safety	<u>1,153,553</u>	<u>1,183,600</u>	<u>30,047</u>	<u>1,097,272</u>
Highways and Streets				
Sidewalks	65,500	-	(65,500)	37,344
Street lighting	75,000	78,615	3,615	74,719
Total Highways and Streets	<u>140,500</u>	<u>78,615</u>	<u>(61,885)</u>	<u>112,063</u>
Sanitation				
Refuse collection	<u>284,800</u>	<u>267,782</u>	<u>(17,018)</u>	<u>269,105</u>

See independent auditor's report

City of Frankenmuth
General Fund
Statement of Expenditures
Budget and Actual (Continued)
For the Year Ended June 30, 2008
(With Comparative Actual Amounts for the Year Ended June 30, 2007)

	2008			2007
	Budget	Actual	Over (Under) Budget	Actual
Expenditures				
Other Expenditures				
Engineering and supervision	57,500	48,345	(9,155)	51,763
City Beautification Committee	167,000	137,734	(29,266)	158,000
Insurance and bonds	20,000	20,609	609	15,896
Michigan Week activities	3,000	2,534	(466)	2,067
Slster City Committee activities	8,000	8,419	419	11,523
Economic Development program	120,000	14,447	(105,553)	22,231
DDA special assessments	4,000	3,958	(42)	4,033
Other community promotion	4,000	86	(3,914)	3,843
Total Other Expenditures	<u>383,500</u>	<u>236,132</u>	<u>(147,368)</u>	<u>269,356</u>
Total Expenditures	<u>4,407,744</u>	<u>4,132,825</u>	<u>(274,919)</u>	<u>2,805,099</u>
Other Financing Uses (Sources)				
Operating transfers out (in)				
Transfers in	-	(45,521)	(45,521)	-
Major Street Fund	217,000	272,000	55,000	140,000
Local Street Fund	135,000	150,000	15,000	180,000
Library Fund	186,000	186,000	-	184,000
Parks and Recreation Fund	288,000	288,000	-	279,650
Other transfers	30,800	89,091	58,291	-
Debt Service Funds				
2002 Business Park	27,821	53,251	25,430	27,822
Homestead Village G.O.	-	-	-	17,025
Harvey Kern Pavilion G.O.	172,270	146,834	(25,436)	172,263
2000 DDA G.O.	98,770	99,070	300	96,803
Total Other Financing Uses	<u>1,155,661</u>	<u>1,236,725</u>	<u>83,064</u>	<u>1,097,563</u>
Total Expenditures and Other Financing Uses	<u>\$ 5,563,405</u>	<u>\$ 5,371,550</u>	<u>\$ (191,855)</u>	<u>\$ 3,902,662</u>

See independent auditor's report

**CITY OF FRANKENMUTH
SPECIAL REVENUE FUNDS**

Major Street

Local Street

Parks and Recreation

Downtown Development Authority

Drug Law Enforcement

James E. Wickson Memorial Library

Building Department

City of Frankenmuth
Major Street Fund
Comparative Balance Sheets
June 30, 2008 and 2007

<u>Assets</u>	<u>2008</u>	<u>2007</u>
Cash	\$ 3,732	\$ 92,914
Account receivable	30	-
Due from other governmental units	44,509	44,189
Due from other funds	55,000	-
Special assessment receivable	63,220	73,145
Total Assets	<u>\$ 166,491</u>	<u>\$ 210,248</u>
 <u>Liabilities and Fund Balance</u>		
Liabilities		
Accounts payable	\$ 21,361	\$ 23,649
Due to other funds	86,194	42,185
Deferred revenue	53,295	63,220
Total Liabilities	<u>160,850</u>	<u>129,055</u>
 Fund balance-Undesignated	 5,641	 81,194
Total Liabilities and Fund Balance	<u>\$ 166,491</u>	<u>\$ 210,248</u>

See independent auditor's report

City of Frankenmuth
Major Street Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2008
(With Comparative Actual Amounts for the Year Ended June 30, 2007)

	2008		2007	
	Budget	Actual	Over (Under) Budget	Actual
Revenues				
State revenue				
Local roads program	\$ 7,500	\$ 7,805	\$ 305	\$ 7,817
State gas and weight tax	200,000	221,853	21,853	226,574
Trunkline maintenance	25,000	39,690	14,690	30,075
Total State Revenues	232,500	269,348	36,848	264,466
Federal	-	-	-	36,225
Other revenues				
Interest	9,000	8,221	(779)	10,283
Miscellaneous	-	3,090	3,090	3,456
Special Assessments	12,000	9,925	(2,075)	17,982
Total Other Revenues	21,000	21,236	236	31,721
Total Revenues	253,500	290,584	37,084	332,412
Expenditures				
Highway and Streets				
Improvements	311,000	133,210	(177,790)	949
Routine maintenance	57,500	173,335	115,835	152,701
Traffic services, maintenance	20,000	15,167	(4,833)	15,813
Signal charges and channel service	13,000	13,066	66	14,676
Winter maintenance	20,000	45,354	25,354	17,837
Admin. and engineering	20,000	42,314	22,314	27,064
State Trunkline maintenance	25,000	26,582	1,582	34,939
Tree planting and maintenance	15,000	26,304	11,304	31,361
Sidewalks	-	22,938	22,938	393
Total Expenditures	481,500	498,270	16,770	295,733
Excess of Revenues Over Expenditures	(228,000)	(207,686)	20,314	36,679
Other Financing Sources (Uses)				
Operating transfers in	342,000	272,000	(70,000)	140,000
Debt service payment and transfers out	(164,000)	(139,867)	24,133	(139,030)
Total Other Financing Sources (Uses)	178,000	132,133	(45,867)	970
Excess of Revenues and Other Sources Over Expenditures and Other (Uses)	(50,000)	(75,553)	(25,553)	37,649
Fund Balance, Beginning	81,194	81,194	-	43,545
Fund Balance, Ending	\$ 31,194	\$ 5,641	\$ (25,553)	\$ 81,194
See independent auditor's report.				

City of Frankenmuth
Local Street Fund
Comparative Balance Sheets
June 30, 2008 and 2007

<u>Assets</u>	2008	2007
Cash	\$ 7,825	\$ 7,716
Due from other governmental units	14,846	17,376
Due from other funds	15,262	262
Special assessment receivable	15,859	24,089
Total Assets	<u>\$ 53,792</u>	<u>\$ 49,443</u>
 <u>Liabilities and Fund Balance</u>		
Liabilities		
Accounts payable	\$ 1,860	\$ 213
Due to other funds	35,447	16,950
Deferred revenue	14,160	15,857
Total Liabilities	<u>51,467</u>	<u>33,020</u>
 Fund balance-Undesignated	 2,325	 16,423
Total Liabilities and Fund Balance	<u>\$ 53,792</u>	<u>\$ 49,443</u>

See independent auditor's report

City of Frankenmuth
Local Street Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2008
(With Comparative Actual Amounts for the Year Ended June 30, 2007)

	2008			2007
	Budget	Actual	Over (Under) Budget	Actual
Revenues				
State revenue				
Local roads program	\$ 3,000	\$ 3,079	\$ 79	\$ 3,082
State gas and weight tax	89,000	87,525	(1,475)	91,285
Total State Revenues	92,000	90,604	(1,396)	94,367
Other revenues				
Interest	3,000	2,094	(906)	3,273
Miscellaneous	-	60	60	7,794
Special Assessments	10,000	1,697	(8,303)	9,958
Total Other Revenues	13,000	3,851	(9,149)	21,025
Total Revenues	105,000	94,455	(10,545)	115,392
Expenditures				
Highway and Streets				
Improvements	45,000	133,728	88,728	254,136
Routine maintenance	97,000	94,524	(2,476)	88,211
Traffic services, maintenance	7,000	7,598	598	4,358
Winter maintenance	28,000	49,999	21,999	24,091
Admin. and engineering	9,000	8,752	(248)	8,904
Tree planting and maintenance	50,000	67,357	17,357	87,038
Sidewalks	30,000	30,910	910	1,484
Total Expenditures	266,000	392,868	126,868	468,222
Excess of Revenues Over Expenditures	(161,000)	(298,413)	(137,413)	(352,830)
Other Financing Sources (Uses)				
Operating transfer in	168,000	304,315	136,315	369,759
Operating transfer out	(19,925)	(20,000)	(75)	(19,120)
Total Other Financing Sources (Uses)	148,075	284,315	136,240	350,639
Excess of Revenues and Other Sources Over Expenditures and Other (Uses)	(12,925)	(14,098)	(1,173)	(2,191)
Fund Balance, Beginning	16,423	16,423	-	18,614
Fund Balance, Ending	\$ 3,498	\$ 2,325	\$ (1,173)	\$ 16,423

See independent auditor's report

City of Frankenmuth
Parks and Recreation Fund
Comparative Balance Sheets
June 30, 2008 and 2007

<u>Assets</u>	<u>2008</u>	<u>2007</u>
Cash	\$ 94,497	\$ 80,426
Accounts receivable	8,207	17,644
Due from other funds	24,598	17,807
Prepaid expenditures	6,059	6,427
Total Assets	<u>\$ 133,361</u>	<u>\$ 122,304</u>
 <u>Liabilities and Fund Balance</u>		
Liabilities		
Accounts payable	\$ 7,371	\$ 14,628
Due to other funds	39,136	25,005
Deferred revenue	28,552	29,912
Total Liabilities	<u>75,059</u>	<u>69,545</u>
Fund balance-Undesignated	58,302	52,759
Total Liabilities and Fund Balance	<u>\$ 133,361</u>	<u>\$ 122,304</u>

See independent auditor's report

City of Frankenmuth
Parks and Recreation Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2008
(With Comparative Actual Amounts for the Year Ended June 30, 2007)

	2008			2007
	Budget	Actual	Over (Under) Budget	Actual
Revenues				
Other Governmental Units				
Frankenmuth Township	\$ 12,000	\$ 12,000	\$ -	\$ 12,000
Blumfield Township	3,000	-	(3,000)	2,400
Total Other Governmental Units	<u>15,000</u>	<u>12,000</u>	<u>(3,000)</u>	<u>14,400</u>
Charges for Services				
Men's basketball	2,500	-	(2,500)	2,264
Men's volleyball	700	881	181	776
Women's volleyball	1,600	3,060	1,460	1,626
Men's slow pitch	9,500	11,122	1,622	13,020
Women's softball	2,000	3,841	1,841	2,567
Youth league	8,500	7,814	(686)	8,179
Swimming lessons	1,000	-	(1,000)	324
Pool admissions and rental	-	-	-	5,918
Co-ed volleyball	700	748	48	560
AYSO soccer	7,200	2,068	(5,132)	2,569
Miscellaneous	12,000	14,170	2,170	10,112
Cross country skis rental	-	-	-	805
Ball diamonds rental	2,500	2,570	70	2,232
Park facilities rental	83,400	87,037	3,637	54,339
Total Charge for Services	<u>131,600</u>	<u>133,311</u>	<u>1,711</u>	<u>105,291</u>
Other Revenue				
Interest	4,100	5,078	978	5,773
Donations	11,500	22,018	10,518	24,381
Utilities reimbursement	15,000	9,765	(5,235)	9,980
Miscellaneous	2,000	3,015	1,015	6,196
Nonresident fees	5,500	4,864	(636)	4,925
Total Other Revenues	<u>38,100</u>	<u>44,740</u>	<u>6,640</u>	<u>51,255</u>
Total Revenues	<u>\$ 184,700</u>	<u>\$ 190,051</u>	<u>\$ 5,351</u>	<u>\$ 170,946</u>

See independent auditor's report.

City of Frankenmuth
Parks and Recreation Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (continued)
For the Year Ended June 30, 2008
(With Comparative Actual Amounts for the Year Ended June 30, 2007)

	2008		Over (Under)	2007
	Budget	Actual	Budget	Actual
Expenditures				
Administration	\$ 158,550	\$ 158,985	\$ 435	\$ 145,814
Park Division				
Capital improvements	30,000	35,046	5,046	18,663
Utilities	20,400	24,296	3,896	36,547
Maintenance				
Memorial Park	52,000	47,065	(4,935)	48,187
Heritage Park	55,000	66,534	11,534	67,917
Other parks	85,500	56,490	(29,010)	49,625
Band Shell	5,500	6,985	1,485	5,167
Total Parks Division	248,400	236,416	(11,984)	226,106
Recreation				
Swimming pool	200	975	775	19,188
Tennis	341	413	72	956
Ball diamonds	16,500	14,506	(1,994)	16,578
Skating rink	5,000	5,672	672	5,660
Volleyball	1,300	2,170	870	999
Men's basketball	3,000	-	(3,000)	3,601
Men's slow pitch	7,000	5,622	(1,378)	6,911
Women's softball	1,500	3,206	1,706	1,369
Youth league	7,500	4,340	(3,160)	7,608
AYSO Soccer	2,500	632	(1,868)	3,718
Miscellaneous	21,725	22,571	846	24,675
Total Recreation Division	66,566	60,107	(6,459)	91,263
Total Expenditures	473,516	455,508	(18,008)	463,183
Excess (Deficiency) of Revenues Over Expenditures	(288,816)	(265,457)	23,359	(292,237)
Other Financing Sources				
Operating transfers in	288,000	288,000	-	279,650
Operating transfers out	(17,000)	(17,000)	-	(17,000)
Total Other Financing Sources	271,000	271,000	-	262,650
Excess (Deficiency) of Revenues and Other Sources Over Expenditures	(17,816)	5,543	23,359	(29,587)
Fund Balance, Beginning	52,759	52,759	-	82,346
Fund Balance, Ending	\$ 34,943	\$ 58,302	\$ 23,359	\$ 52,759

See independent auditor's report.

City of Frankenmuth
Downtown Development Authority Fund
Comparative Balance Sheets
June 30, 2008 and 2007

<u>Assets</u>	<u>2008</u>	<u>2007</u>
Cash	\$ 283,483	\$ 265,504
Accounts receivable	82	2,643
Due from other funds	5,690	266
Special assessment receivable	1,777,285	1,910,630
Prepaid expenditures	1,629	1,714
Total Assets	<u>\$ 2,068,169</u>	<u>\$ 2,180,757</u>
 <u>Liabilities and Fund Balance</u>		
Liabilities		
Accounts payable	\$ 4,346	\$ 14,508
Due to other funds	10,799	10,763
Deferred revenue	1,647,322	1,780,395
Accrued expenditures	3,573	2,609
Total Liabilities	<u>1,666,040</u>	<u>1,808,275</u>
Fund balance	<u>402,129</u>	<u>372,482</u>
Total Liabilities and Fund Balance	<u>\$ 2,068,169</u>	<u>\$ 2,180,757</u>

See independent auditor's report.

City of Frankenmuth
Downtown Development Authority Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2008
(With Comparative Actual Amounts for the Year Ended June 30, 2007)

	2008			2007
	Budget	Actual	Over (Under) Budget	Actual
Revenues				
Taxes levied	\$ 67,550	\$ 67,447	\$ (103)	\$ 75,600
Taxes captured	907,540	842,046	(65,494)	854,087
Total Taxes	975,090	909,493	(65,597)	929,687
Other Revenue				
Special assessments	152,200	129,963	(22,237)	131,721
Interest earnings	114,910	136,627	21,717	140,841
Miscellaneous	1,000	1,334	334	500
Total other revenues	268,110	267,924	(186)	273,062
Total revenues	1,243,200	1,177,417	(65,783)	1,202,749
Expenditures				
Administration	184,045	165,696	(18,349)	162,857
Maintenance	188,250	205,020	16,770	186,797
Total expenditures	372,295	370,716	(1,579)	349,654
Excess of revenues over expenditures	870,905	806,701	(64,204)	853,095
Other financing sources (uses)				
Transfer out	(781,344)	(777,054)	4,290	(792,953)
Total other financing sources (uses)	(781,344)	(777,054)	4,290	(792,953)
Excess revenues and other financing sources over expenditures and other (uses)	89,561	29,647	(59,914)	60,142
Fund balance, beginning	372,482	372,482	-	312,340
Fund balance, ending	\$ 462,043	\$ 402,129	\$ (59,914)	\$ 372,482

See independent auditor's report

City of Frankenmuth
Downtown Development Authority
Operating Statistics
For the Year Ended June 30, 2008

Memo Information:

	<u>Ad Valorem</u>		<u>CFT/IFT</u>	<u>Total</u>
	<u>Real</u>	<u>Personal</u>	<u>Real/ Personal</u>	
<u>Initial assessed value:</u>	<u>\$ 29,416,400</u>	<u>\$ 10,046,900</u>	<u>\$ 2,753,250</u>	<u>\$ 42,216,550</u>
<u>Captured taxable value:</u>				
Year ended June 30, 2008	\$ 43,725,184	\$ 4,010,500	\$(2,361,152)	\$ 45,374,532
Year ended June 30, 2007	\$ 40,067,165	\$ 4,395,000	\$(2,368,489)	\$ 42,093,676
Year ended June 30, 2006	\$ 37,289,823	\$ 2,042,300	\$(2,387,450)	\$ 36,944,673
Year ended June 30, 2005	\$ 37,338,129	\$ 1,771,700	\$(2,341,050)	\$ 36,768,779
Year ended June 30, 2004	\$ 32,951,377	\$ 735,377	\$(1,878,450)	\$ 31,808,304
Year ended June 30, 2003	\$ 31,261,176	\$ 354,755	\$(1,780,900)	\$ 29,835,031

See independent auditor's report

City of Frankenmuth
Drug Law Enforcement Fund
Comparative Balance Sheets
June 30, 2008 and 2007

	<u>Assets</u>	<u>2008</u>	<u>2007</u>
Cash		\$ 186	\$ 1,429
Total Assets		<u>\$ 186</u>	<u>\$ 1,429</u>
	<u>Fund Balance</u>		
Fund balance		\$ 186	\$ 1,429
Total Fund Balance		<u>\$ 186</u>	<u>\$ 1,429</u>

See independent auditor's report.

City of Frankenmuth
Drug Law Enforcement Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2008
(With Comparative Actual Amounts for the Year Ended June 30, 2007)

	2008			2007
	Budget	Actual	Over (Under) Budget	Actual
Revenues				
Drug forfeiture	\$ 4,625	\$ 4,579	\$ (46)	\$ 458
Total revenue	<u>4,625</u>	<u>4,579</u>	<u>(46)</u>	<u>458</u>
Other Revenue				
Interest earnings	100	93	(7)	131
Total other revenues	<u>100</u>	<u>93</u>	<u>(7)</u>	<u>131</u>
Total revenues	<u>4,725</u>	<u>4,672</u>	<u>(53)</u>	<u>589</u>
Expenditures				
Miscellaneous	-	300	300	1,650
New equipment	6,000	5,615	(385)	868
Total expenditures	<u>6,000</u>	<u>5,915</u>	<u>(85)</u>	<u>2,518</u>
Excess of revenues over expenditures	<u>(1,275)</u>	<u>(1,243)</u>	<u>32</u>	<u>(1,929)</u>
Fund balance, beginning	1,429	1,429	-	3,358
Fund balance, ending	<u>\$ 154</u>	<u>\$ 186</u>	<u>\$ 32</u>	<u>\$ 1,429</u>

See independent auditor's report

City of Frankenmuth
James E. Wickson Memorial Library Fund
Comparative Balance Sheets
June 30, 2008 and 2007

<u>Assets</u>	<u>2008</u>	<u>2007</u>
Cash	\$ 116,107	\$ 129,347
Investments	51,917	50,151
Due from other governmental units	28,513	31,984
Due from other funds	-	1,150
Prepaid expenditures	7,070	7,210
Total Assets	<u>\$ 203,607</u>	<u>\$ 219,842</u>
 <u>Liabilities and Fund Balance</u>		
Liabilities		
Accounts payable	\$ 7,821	\$ 10,067
Due to other funds	3,125	2,177
Deferred revenue	37,688	43,531
Total Liabilities	<u>48,634</u>	<u>55,775</u>
 Fund Balance	 <u>154,973</u>	 <u>164,067</u>
Total Liabilities and Fund Balance	<u>\$ 203,607</u>	<u>\$ 219,842</u>

See independent auditor's report.

City of Frankenmuth
James E. Wickson Memorial Library Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2008
(With Comparative Actual Amounts for the Year Ended June 30, 2007)

	2008			2007
	Budget	Actual	Over (Under) Budget	Actual
Revenues				
State aid, City	\$ 3,200	\$ 2,878	\$ (322)	\$ 3,484
State aid, Township	1,800	1,619	(181)	1,960
Total State	<u>5,000</u>	<u>4,497</u>	<u>(503)</u>	<u>5,444</u>
Other governmental units				
Frankenmuth Twp	10,500	10,000	(500)	10,000
Blumfield Twp	3,100	3,100	-	2,500
Total governmental units	<u>13,600</u>	<u>13,100</u>	<u>(500)</u>	<u>12,500</u>
Fines				
Library books	6,000	5,957	(43)	4,824
City-Penal	18,000	16,369	(1,631)	20,564
Township-penal	8,000	9,883	1,883	8,709
Total Fines	<u>32,000</u>	<u>32,209</u>	<u>209</u>	<u>34,097</u>
Other Revenues				
Interest	2,000	8,474	6,474	10,150
Donations and contributions	18,000	36,028	18,028	23,594
VHS rental	3,000	2,217	(783)	2,427
Miscellaneous	5,000	5,466	466	5,329
Total other revenues	<u>28,000</u>	<u>52,185</u>	<u>24,185</u>	<u>41,500</u>
Total Revenues	<u>\$ 78,600</u>	<u>\$ 101,991</u>	<u>\$ 23,391</u>	<u>\$ 93,541</u>

See independent auditor's report

City of Frankenmuth
James E. Wickson Memorial Library Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (continued)
For the Year Ended June 30, 2008
(With Comparative Actual Amounts for the Year Ended June 30, 2007)

	2008			2007
	Budget	Actual	Over (Under) Budget	Actual
Expenditures				
Salaries	\$ 140,000	\$ 142,115	\$ 2,115	\$ 134,772
Fringe benefits	25,300	19,552	(5,748)	18,615
Office supplies and postage	5,000	5,737	737	4,607
Operating supplies	3,000	2,801	(199)	3,335
Magazines and newspapers	5,600	5,548	(52)	5,607
Memberships and dues	3,800	3,430	(370)	3,276
Transportation and conferences	1,200	339	(861)	417
Insurance	4,000	3,074	(926)	3,044
Utilities	25,000	21,227	(3,773)	19,778
Maintenance and repairs	17,000	18,394	1,394	18,970
Equipment maintenance and support	9,000	19,322	10,322	9,861
Office equipment and furniture	9,000	15,829	6,829	6,841
Books	25,000	29,136	4,136	22,677
Audio-visual materials	6,250	4,671	(1,579)	2,956
Video cassettes	2,200	1,337	(863)	1,144
Miscellaneous	4,000	4,573	573	2,805
Total expenditures	<u>285,350</u>	<u>297,085</u>	<u>11,735</u>	<u>258,705</u>
Excess (Deficiency) of revenues over expenditures	<u>(206,750)</u>	<u>(195,094)</u>	<u>11,656</u>	<u>(165,164)</u>
Other financing sources				
Operating transfers in	<u>186,000</u>	<u>186,000</u>	<u>-</u>	<u>184,000</u>
Total other financing sources	<u>186,000</u>	<u>186,000</u>	<u>-</u>	<u>184,000</u>
Excess (Deficiency) of revenues and other financing sources over expenditures	<u>(20,750)</u>	<u>(9,094)</u>	<u>11,656</u>	<u>18,836</u>
Fund balance, beginning	<u>164,067</u>	<u>164,067</u>	<u>-</u>	<u>145,231</u>
Fund balance, ending	<u>\$ 143,317</u>	<u>\$ 154,973</u>	<u>\$ 11,656</u>	<u>\$ 164,067</u>
See independent auditor's report.				

City of Frankenmuth
 Building Department Fund
 Balance Sheet
 June 30, 2008 and 2007

<u>Assets</u>	<u>2008</u>	<u>2007</u>
Cash	\$ 67,140	\$ 48,931
Accounts Receivable	462	222
Accrued interest receivable	40	59
Due from other funds	10	-
Prepaid expenditures	3,728	3,840
Total Assets	<u>\$ 71,380</u>	<u>\$ 53,052</u>
 <u>Liabilities and Fund Balance</u>		
Liabilities		
Accounts Payable	\$ 591	\$ 188
Due to other funds	944	866
Total Liabilities	<u>1,535</u>	<u>1,054</u>
 Fund balance	 69,845	 51,998
Total Liabilities and Fund Balance	<u>\$ 71,380</u>	<u>\$ 53,052</u>

See independent auditor's report

City of Frankenmuth
 Building Department Fund
 Statement of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual
 For the Year Ended June 30, 2008
 (With Comparative Actual Amounts for the Year Ended June 30, 2007)

	2008			2007
	Budget	Actual	Over (Under) Budget	Actual
Revenues				
Building permits and plan reviews	\$ 45,000	\$ 59,754	\$ 14,754	\$ 28,562
Plumbing permits and plan reviews	10,000	7,727	(2,273)	7,473
Electrical permits and plan reviews	18,000	14,883	(3,117)	13,467
Mechanical permits and plan reviews	12,000	14,204	2,204	13,051
Interest	300	212	(88)	328
Miscellaneous	-	3,722	3,722	407
Total Revenues	<u>85,300</u>	<u>100,502</u>	<u>15,202</u>	<u>63,288</u>
Expenditures				
Administration	25,300	19,580	(5,720)	17,667
Building Inspection	36,000	42,202	6,202	35,511
Plumbing/Mechanical Inspections	13,000	11,438	(1,562)	9,106
Electrical Inspections	11,000	9,435	(1,565)	10,414
Total Expenditures	<u>85,300</u>	<u>82,655</u>	<u>(2,645)</u>	<u>72,698</u>
Excess (Deficiency) of revenues over expenditures	<u>-</u>	<u>17,847</u>	<u>17,847</u>	<u>(9,410)</u>
Fund Balance, Beginning	51,998	51,998	-	61,408
Fund Balance, Ending	<u>\$ 51,998</u>	<u>\$ 69,845</u>	<u>\$ 17,847</u>	<u>\$ 51,998</u>

See independent auditor's report.

**CITY OF FRANKENMUTH
DEBT SERVICE FUNDS**

1986 G.O. Summergreen/Churchgrove

1988 G.O. Homestead Village

1992 Woodland Acres

1997 S.A. DDA

2000 G.O. Streetscape

Debt Service DDA

1999 W. Tuscola G.O.

1999 W. Tuscola S.A.

1999 DDA S.A.

2000 DDA S.A.

1999 MTF

2001 Georgetown G.O.

City of Frankenmuth
Debt Service Funds
Combining Balance Sheet
June 30, 2008
(With Comparative Totals for the Year Ended June 30, 2007)

	1992 Woodland Acres Bond	Totals	
		2008	2007
<u>Assets</u>			
Investments	\$ -	\$ -	\$ 51,927
Special assessment receivable	7,138	7,138	15,336
Due from other funds	27,995	27,995	48,164
Total Assets	<u>\$ 35,133</u>	<u>\$ 35,133</u>	<u>\$ 115,427</u>
<u>Liabilities and Fund Balances</u>			
Due to other funds	\$ -	\$ -	\$ 1,847
Deferred special assessments	6,329	6,329	13,001
Total Liabilities	<u>6,329</u>	<u>6,329</u>	<u>14,848</u>
Reserved fund balances	28,804	28,804	100,579
Total Liabilities and Fund Balances	<u>\$ 35,133</u>	<u>\$ 35,133</u>	<u>\$ 115,427</u>

See independent auditor's report

City of Frankentuth
Debt Service Funds

See independent auditor's report.

CITY OF FRANKENMUTH
CAPITAL PROJECTS FUNDS

Kingsbrook Five

City of Frankenmuth
Capital Projects Fund
Balance Sheet
June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
<u>Assets</u>		
Accounts Receivable	\$ -	\$ 8,208
Total Assets	<u>\$ -</u>	<u>\$ 8,208</u>
 <u>Liabilities and Fund Balance</u>		
<u>Liabilities</u>		
Accounts payable	\$ -	\$ 8,208
Total Liabilities	<u>-</u>	<u>8,208</u>
 Fund balance	 -	 -
Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 8,208</u>

See independent auditor's report.

City of Frankenmuth
Capital Projects Funds
Statement of Revenue, Expenditures and Changes in Fund Balance
For the Years Ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Revenue		
Contributions	\$ 198,877	\$ 256,981
Total Revenue	<u>198,877</u>	<u>256,981</u>
Expenditures		
Capital Project	-	-
Total Expenditures	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues over Expenses	<u>198,877</u>	<u>256,981</u>
Other Financing Sources (uses)		
Transfers (out)	(198,877)	(256,981)
Total Other Financing Sources (use)	<u>(198,877)</u>	<u>(256,981)</u>
Excess (Deficiency) of Revenues Over Other Financing Sources (Uses)	-	-
Fund Balance, Beginning	-	-
Fund Balance, Ending	<u>\$ -</u>	<u>\$ -</u>

See independent auditor's report.

CITY OF FRANKENMUTH
WASTE WATER ENTERPRISE FUND

City of Frankenmuth
Waste Water Treatment Enterprise Fund
Statements of Net Assets
June 30, 2008 and 2007

<u>Assets</u>	<u>2008</u>	<u>2007</u>
Current Assets		
Cash	\$ 123,024	\$ 156,099
Accounts receivable	159,710	330,469
Due from other funds	1,964	1,747
Special assessments receivable	51,124	53,190
Inventory		
Supplies	2,784	2,166
Chemicals	3,969	15,450
Prepaid Expenses	15,239	16,677
Total Current Assets	<u>357,814</u>	<u>575,798</u>
Restricted Assets		
Accounts Receivable	6,591,493	7,196,443
Total Restricted Assets	<u>6,591,493</u>	<u>7,196,443</u>
Other Assets		
Special assessments receivable net of current portion	<u>421,147</u>	<u>479,515</u>
Property, Plant, & Equipment		
Land	6,090	6,090
Buildings	17,894,260	17,886,624
Machinery and Equipment	1,110,611	1,083,782
Collection Systems	4,138,307	3,529,726
Furniture and fixtures	30,255	30,255
Less accumulated depreciation	<u>(12,858,378)</u>	<u>(11,994,930)</u>
Net Property, Plant and Equipment	<u>10,321,145</u>	<u>10,541,547</u>
Total Assets	<u>\$ 17,691,599</u>	<u>\$ 18,793,303</u>

See independent auditor's report.

City of Frankenmuth
Waste Water Treatment Enterprise Fund
Statements of Net Assets (continued)
June 30, 2008 and 2007

<u>Liabilities and Fund Equity</u>	<u>2008</u>	<u>2007</u>
Current Liabilities		
Accounts Payable	\$ 28,744	\$ 185,503
Accrued Payroll	7,124	6,965
Due to other funds	610,915	424,955
Deferred Special		
Assessment Revenue	421,150	479,518
Current Portion of Long-Term Debt	645,850	622,200
Total Current Liabilities	<u>1,713,783</u>	<u>1,719,141</u>
Long-Term Liabilities		
Bonds Payable (net of current		
portion and unamortized discount)	<u>5,655,590</u>	<u>6,310,670</u>
Total Liabilities	<u>7,369,373</u>	<u>8,029,812</u>
Net Assets		
Investment in capital assets-		
Net of related debt	4,019,705	3,608,676
Unrestricted	<u>6,302,521</u>	<u>7,154,815</u>
Total Net Assets	<u>10,322,226</u>	<u>10,763,491</u>
Total Liabilities and		
Net Assets	<u>\$ 17,691,599</u>	<u>\$ 18,793,303</u>

See independent auditor's report.

City of Frankenmuth
Waste Water Treatment Enterprise Fund
Statement of Revenues, Expenses and Changes in Net Assets
For the Years Ended June 30, 2008 and June 30, 2007

	<u>2008</u>	<u>2007</u>
Operating Revenues		
Sewage Disposal Charges		
Industrial	\$ 9,438	\$ 9,640
Residential	389,140	325,515
Commercial	405,369	360,012
Major commercial	190,441	166,063
Municipality	4,482	4,279
Penalties on late payments	8,967	7,783
Total Operating Revenues	<u>1,007,837</u>	<u>873,292</u>
Operating Expenses		
Transmission Maintenance	92,684	178,536
Sewage Purification	1,518,110	1,457,381
Administration	228,452	221,536
Customer Services	2,668	307
Total Operating Expenses	<u>1,841,914</u>	<u>1,857,760</u>
Operating Income (Loss)	<u>(834,077)</u>	<u>(984,468)</u>
Non-Operating Revenues (Expense)		
Interest	30,761	35,979
Special Assessments	55,269	68,920
Miscellaneous	5,060	3,175
Gain on sale of fixed assets	5,400	-
Total Non-Operating Revenues (Expenses)	<u>96,490</u>	<u>108,074</u>
Income before other revenues	(737,587)	(876,394)
Other Revenue		
Capital Contributions	296,322	275,320
Total Other Revenue	<u>296,322</u>	<u>275,320</u>
Increase (decrease) in net assets	<u>\$ (441,265)</u>	<u>\$ (601,074)</u>

See independent auditor's report.

City of Frankenmuth
Waste Water Treatment Enterprise Fund
Statement of Operating Expenses
For the Years Ended June 30, 2008 and 2007

	2008	2007
Transmission Maintenance		
Wages and Salaries	\$ 57,408	\$ 51,686
Repairs and Maintenance	11,198	5,749
Equipment Rental	18,783	19,321
Contracted Services	5,295	101,780
Total Transmission Maintenance	<u>92,684</u>	<u>178,536</u>
Sewage Purification		
Wages and Salaries	226,272	207,107
Operating Supplies	10,102	6,978
Chemicals	64,387	38,546
Tools and Supplies	17,692	13,295
Utilities	145,357	155,437
Building and Grounds Maintenance	44,351	31,649
Equipment Maintenance	43,140	40,383
Equipment Rental	393	449
Contracted Services	102,968	113,663
Depreciation	863,448	849,874
Total Sewage Purification	<u>1,518,110</u>	<u>1,457,381</u>
Administration		
Administration	44,000	44,000
Wages and Salaries	8,404	8,964
Fringe Benefits	108,385	113,606
Office Supplies	3,649	3,260
Safety Equipment	2,163	2,215
Professional Services	130	130
Computer Services	-	905
Equipment Maint. & Support	2,303	1,774
Association Dues	322	520
Telephone, Pagers	3,797	3,817
Transportation and Conference	14,685	12,806
Contracted services	15,171	-
Insurance	19,413	22,759
Regulating Fees	6,030	6,780
Total Administration	<u>228,452</u>	<u>221,536</u>
Customer Service		
Wages and Salaries	464	242
Supplies	1,825	16
Equipment Rental	379	49
Total Customer Service	<u>2,668</u>	<u>307</u>
Total Operating Expenses	<u>\$ 1,841,914</u>	<u>\$ 1,857,760</u>

CITY OF FRANKENMUTH
WATER ENTERPRISE FUND

City of Frankenmuth
Water Enterprise Fund
Statements of Net Assets
June 30, 2008 and 2007

<u>Assets</u>	<u>2008</u>	<u>2007</u>
Current Assets		
Cash	\$ 1,274,711	\$ 1,141,638
Accounts receivable	136,290	154,593
Special assessments receivable	12,832	13,673
Due from other funds	521,056	312,536
Inventory	43,934	43,439
Prepaid Expenses	8,114	7,947
Total Current Assets	<u>1,996,937</u>	<u>1,673,826</u>
Restricted Assets		
Accounts Receivable	<u>1,053,800</u>	<u>1,151,600</u>
Total Restricted Assets	<u>1,053,800</u>	<u>1,151,600</u>
Other Assets		
Special assessments receivable net of current portion	<u>67,601</u>	<u>84,380</u>
Property, Plant, & Equipment		
Land	16,873	16,873
Buildings	228,821	228,821
Water Towers	533,842	533,842
Machinery and Equipment	257,768	255,718
Meters and Boxes	345,127	338,420
Distribution System	6,285,427	6,081,255
Furniture and Fixtures	31,913	29,237
Less accumulated depreciation	<u>(4,058,105)</u>	<u>(3,791,735)</u>
Net Property, Plant and Equipment	<u>3,641,666</u>	<u>3,692,431</u>
Total Assets	<u>\$ 6,760,004</u>	<u>\$ 6,602,237</u>

See independent auditor's report.

City of Frankenmuth
Water Enterprise Fund
Statements of Net Assets (continued)
June 30, 2008 and 2007

<u>Liabilities and Fund Equity</u>	<u>2008</u>	<u>2007</u>
Current Liabilities		
Accounts Payable	\$ 203,676	\$ 74,643
Accrued Payroll	1,193	816
Due to other funds	39,457	24,447
Deferred Special		
Assessment Revenue	67,247	84,027
Current Portion of Long-Term Debt	102,200	97,800
Total Current Liabilities	<u>413,773</u>	<u>281,733</u>
Long-Term Liabilities		
Bonds Payable (net of current portion)	952,600	1,054,800
Total Liabilities	<u>1,366,373</u>	<u>1,336,533</u>
Net Assets		
Investment in capital assets-		
Net of related debt	2,586,866	2,539,831
Unrestricted	2,806,765	2,725,873
Total Net Assets	<u>5,393,631</u>	<u>5,265,704</u>
Total Liabilities and Net Assets	<u>\$ 6,760,004</u>	<u>\$ 6,602,237</u>

See independent auditor's report.

City of Frankenmuth
Water Enterprise Fund
Statements of Revenues, Expenses and Changes in Net Assets
For the Years Ended June 30, 2008 and 2007

	2008	2007
Operating Revenues		
Water Sales, City	\$ 1,078,077	\$ 1,089,842
Water Sales, Township	192,778	190,184
Penalties on Late Payments	7,675	7,243
Hydrant Rental	8,000	8,000
Other Revenue	16,158	13,115
Total Operating Revenues	<u>1,302,688</u>	<u>1,308,384</u>
Operating Expenses		
Distribution System		
Maintenance, Township	13,130	23,948
Distribution System		
Maintenance, City	178,565	108,418
Purification	924,080	955,167
Administration	125,641	178,196
Customer Services	30,761	31,258
Total Operating Expenses	<u>1,272,177</u>	<u>1,296,987</u>
Operating Income (Loss)	<u>30,511</u>	<u>11,397</u>
Non-Operating Revenues (Expense)		
Interest	43,648	49,756
Special Assessments	17,224	21,718
Total Non-Operating Revenues (Expenses)	<u>60,872</u>	<u>71,474</u>
Income before other revenues	91,383	82,871
Other Revenues		
Capital Contributions	36,544	64,552
Total Other Revenues	<u>36,544</u>	<u>64,552</u>
Net Income (Loss)	<u>\$ 127,927</u>	<u>\$ 147,423</u>

See independent auditor's report.

City of Frankenmuth
Water Enterprise Fund
Statement of Operating Expenses
For the Years Ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Operating Expenses		
Distribution System		
Maintenance, Township		
Wages and Salaries	\$ 7,985	\$ 15,505
Other	1,306	1,842
Equipment Rental	3,839	6,601
Total Distribution System Maintenance, Township	<u>13,130</u>	<u>23,948</u>
Distribution System Maintenance, City		
Wages and Salaries	67,083	71,007
Repairs and Maintenance	14,131	11,590
Equipment Rental	17,364	19,185
Contracted Services	79,987	6,636
Total Distribution System Maintenance, City	<u>178,565</u>	<u>108,418</u>
Purification		
Wages and Salaries	61,914	60,446
Operating Supplies	900	679
Tools and Supplies	683	1,141
Utilities	2,235	1,802
Water Purchase	588,412	621,226
Building and Grounds Maintenance	2,946	3,550
Equipment Maintenance	334	1,735
Contracted Services	283	559
Equipment Rental	2	41
Depreciation	266,371	263,988
Total Purification	<u>924,080</u>	<u>955,167</u>

See independent auditor's report.

City of Frankenmuth
Water Enterprise Fund
Statement of Operating Expenses (continued)
For the Years Ended June 30, 2008 and 2007

	2008	2007
Administration		
Administration, general	\$ 28,000	\$ 28,000
Fringe Benefits	37,623	37,430
Office Supplies	1,564	1,436
Postage	2,648	2,575
Safety Equipment	1,247	453
Computer Services	1,367	1,211
Association Dues	740	450
Telephone, Pagers, Cell	2,059	3,018
Professional Services	5,139	-
Regulatory Fees	1,049	1,107
Transportation and Conference	15,449	14,185
Insurance	8,027	11,148
Contracted Services	20,729	77,183
Total Administration	<u>125,641</u>	<u>178,196</u>
Customer Service		
Wages and Salaries	21,659	24,313
Supplies	3,951	378
Equipment Rental	3,849	6,434
Contracted Services	1,302	133
Total Customer Service	<u>30,761</u>	<u>31,258</u>
Total Operating Expenses	<u>\$ 1,272,177</u>	<u>\$ 1,296,987</u>

See independent auditor's report

City of Frankenmuth
Water Enterprise Fund
Operating Statistics
For the Year Ended June 30, 2008
With Comparative Totals For the Year Ended June 30, 2007

	<u>Residential</u>	<u>Commercial Industrial</u>	<u>Municipal</u>	<u>Totals 2008</u>	<u>2007</u>
Average Number of Meters in Service	2,241	468	15	2,724	2,718
Water Utility					
Gallons Sold	124,811,000	179,353,000	7,057,000	311,221,000	314,076,000
Revenue From Sales	\$ 653,885	\$ 592,435	\$ 24,535	\$ 1,270,855	\$ 1,280,026

See independent auditor's report.

CITY OF FRANKENMUTH
EQUIPMENT INTERNAL SERVICE FUND

City of Frankenmuth
Equipment Internal Service Fund
Statements of Net Assets
June 30, 2008 and 2007

<u>Assets</u>	<u>2008</u>	<u>2007</u>
Current Assets		
Cash	\$ 70,932	\$ 224,218
Due from other funds	165,818	107,867
Other receivables	95	512
Inventory, supplies	5,788	3,952
Prepaid Expenses	8,664	9,987
Total Current Assets	<u>251,097</u>	<u>346,536</u>
Property and Equipment	1,962,662	1,832,150
Less: Accumulated depreciation	<u>(1,146,213)</u>	<u>(1,151,477)</u>
Net Property and Equipment	<u>816,449</u>	<u>680,673</u>
Total Assets	<u>\$ 1,067,546</u>	<u>\$ 1,027,209</u>
 <u>Liabilities and Net Assets</u>		
Current Liabilities		
Accounts Payable	\$ 9,802	\$ 8,724
Due to other funds	<u>1,045</u>	<u>975</u>
Total Current Liabilities	<u>10,847</u>	<u>9,699</u>
Net Assets		
Investment in capital assets-		
Net of related debt	816,449	680,673
Unrestricted	<u>240,250</u>	<u>336,837</u>
Total Net Assets	<u>1,056,699</u>	<u>1,017,510</u>
Total Liabilities and Net Assets	<u>\$ 1,067,546</u>	<u>\$ 1,027,209</u>

See independent auditor's report.

City of Frankenmuth
Equipment Internal Service Fund
Statement of Revenues, Expenses, and Changes in Net Assets
For the Years Ended June 30, 2008 and 2007

	2008	2007
Operating Revenues		
Billing to Departments	\$ 413,043	\$ 369,519
Total Operating Revenues	<u>413,043</u>	<u>369,519</u>
Operating Expenses		
Motor Vehicle Maintenance		
Salaries and Wages	70,436	63,927
Benefits	21,839	22,433
Tools and Supplies	7,496	6,759
Gasoline and Oil	62,882	45,389
Repairs and Maintenance	83,247	82,616
Transportation	628	-
Depreciation	<u>112,760</u>	<u>107,790</u>
Total Motor Vehicle Maintenance Expense	<u>359,288</u>	<u>328,914</u>
Administration Expense		
Administration, general	20,000	20,000
Fleet Insurance	<u>14,953</u>	<u>18,060</u>
Total Administration Expense	<u>34,953</u>	<u>38,060</u>
Total Operating Expense	<u>394,241</u>	<u>366,974</u>
Operating Income	<u>18,802</u>	<u>2,545</u>
Non-Operating Revenues		
Interest	6,917	7,727
Sale of Fixed Assets	7,869	12,181
DPW Fringe Recovery	<u>5,601</u>	<u>5,771</u>
Total Non-Operating Revenue	<u>20,387</u>	<u>25,679</u>
Increase (decrease) in Net Assets	39,189	28,224
Net Assets, Beginning	<u>1,017,510</u>	<u>989,286</u>
Net Assets, Ending	<u>\$ 1,056,699</u>	<u>\$ 1,017,510</u>

See independent auditor's report.

City of Frankenmuth
Schedule of Indebtedness
June 30, 2008

Governmental Activities
General Obligation Bonds

	Date of Issue	Amount of Issue	Interest Rate	Annual Principal 1-Oct	Semiannual Interest Payment 1-Oct	1-Apr	Total Fiscal Year Requirement
1997 GF Streetscape	8/1/1997	1,200,000					
2008-09			4.90	\$ 65,000	\$ 18,665	\$ 17,072	\$ 100,737
2009-10			5.00	65,000	17,073	15,447	97,520
2010-11			5.10	70,000	15,448	13,663	99,111
2011-12			5.15	75,000	13,662	11,731	100,393
2012-13			5.20	80,000	11,731	9,651	101,382
2013-14			5.25	85,000	9,651	7,420	102,071
2014-15			5.30	90,000	7,420	5,035	102,455
2015-16			5.30	95,000	5,035	2,617	102,552
2016-17			5.30	95,000	2,518	-	97,518
Paid from General Fund Phase I				<u>\$ 720,000</u>	<u>\$ 101,203</u>	<u>\$ 82,536</u>	<u>\$ 903,739</u>

	Date of Issue	Amount of Issue	Interest Rate	Annual Principal 1-Sep	Semiannual Interest Payment 1-Sep	1-Mar	Total Fiscal Year Requirement
1999 G.O. Major Street W. Tuscola	8/9/1999	332,000	5.12				
2008-09				\$ 25,000	\$ 3,658	\$ 3,045	\$ 31,703
2009-10				20,000	3,045	2,545	25,590
2010-11				20,000	2,545	2,040	24,585
2011-12				20,000	2,040	1,530	23,570
2012-13				20,000	1,530	1,020	22,550
2013-14				20,000	1,020	510	21,530
2014-15				20,000	510	-	20,510
				<u>\$ 145,000</u>	<u>\$ 14,348</u>	<u>\$ 10,690</u>	<u>\$ 170,038</u>

	Date of Issue	Amount of Issue	Interest Rate	Annual Principal 1-Mar	Semiannual Interest Payment 1-Sep	1-Mar	Total Fiscal Year Requirement
1999 Michigan Transportation Fund	10/27/1999	380,000	5.27				
2008-09				\$ 30,000	\$ 4,162	\$ 4,163	\$ 38,325
2009-10				30,000	3,413	3,412	36,825
2010-11				35,000	2,647	2,648	40,295
2011-12				35,000	1,738	1,737	38,475
2012-13				30,000	810	810	31,620
				<u>\$ 160,000</u>	<u>\$ 12,770</u>	<u>\$ 12,770</u>	<u>\$ 165,540</u>

See independent auditor's report.

City of Frankenmuth
Schedule of Indebtedness (continued)
June 30, 2008

	Date of Issue	Amount of Issue	Interest Rate	Annual Principal 1-May	Semiannual Interest Payment 1-Nov	1-May	Total Fiscal Year Requirement
2000 G.O.							
DDA North Main	5/1/2000	940,000	5.60				
2008-09				\$ 50,000	\$ 2,650	\$ 2,650	\$ 55,300
2009-10				50,000	1,325	1,325	52,650
Paid from DDA Fund				<u>\$ 100,000</u>	<u>\$ 3,975</u>	<u>\$ 3,975</u>	<u>\$ 107,950</u>

Partially refunded in the 2006 fiscal year.

	Date of Issue	Amount of Issue	Interest Rate	Annual Principal 1-May	Semiannual Interest Payment 1-Nov	1-May	Total Fiscal Year Requirement
2001 DDA Phase 3	6/19/2001	1,300,000	4.50				
2008-09				\$ 50,000	\$ 3,783	\$ 3,783	\$ 57,566
2009-10				55,000	2,670	2,670	60,340
2010-11				65,000	1,446	1,446	67,892
Paid from DDA Fund				<u>\$ 170,000</u>	<u>\$ 7,899</u>	<u>\$ 7,899</u>	<u>\$ 185,798</u>

Partially refunded in the 2006 fiscal year.

	Date of Issue	Amount of Issue	Interest Rate	Semiannual Principal 1-Sep 1-Mar	Semiannual Interest Payment 1-Sep	1-Mar	Total Fiscal Year Requirement
EDC Technology Park Land	9/1/2002	164,900	4.60				
2008-09				\$ 26,285	\$ 917	\$ 618	\$ 27,820
2009-10				13,597	313	-	13,910
				<u>\$ 39,882</u>	<u>\$ 1,230</u>	<u>\$ 618</u>	<u>\$ 41,730</u>
	Date of Issue	Amount of Issue	Interest Rate	Semiannual Principal 1-Sep 18-Apr	Semiannual Interest Payment 18-Oct	18-Apr	Total Fiscal Year Requirement
Harvey Korn Pavilion	10/18/2004	1,050,000	3.75				
2008-09				\$ 152,219	\$ 10,866	\$ 9,178	\$ 172,263
2009-10				158,472	7,559	6,232	172,263
2010-11				164,343	4,745	3,175	172,263
2011-12				84,303	1,611	-	85,914
				<u>\$ 559,337</u>	<u>\$ 24,781</u>	<u>\$ 18,585</u>	<u>\$ 602,703</u>

See independent auditor's report.

City of Frankenmuth
Schedule of Indebtedness (continued)
June 30, 2008

	Date of Issue	Amount of Issue	Interest Rate	Annual Principal 1-May	Semiannual Interest Payment 1-Nov	1-May	Total Fiscal Year Requirement
2005 Downtown Development Refunding	8/11/2005	3,260,000	2.75- 4.125				
2008-09				\$ 165,000	\$ 64,256	\$ 64,256	\$ 293,512
2009-10				170,000	60,956	60,956	291,912
2010-11				220,000	57,769	57,769	335,538
2011-12				290,000	53,369	53,369	396,738
2012-13				310,000	47,569	47,569	405,138
2013-14				315,000	40,594	40,594	396,188
2014-15				325,000	33,506	33,506	392,012
2015-16				335,000	26,194	26,194	387,388
2016-17				340,000	19,913	19,913	379,826
2017-18				170,000	12,263	12,263	194,526
2018-19				170,000	8,863	8,863	187,726
2019-20				170,000	5,463	5,463	180,926
2020-21				100,000	2,063	2,063	104,126
				<u>\$ 3,080,000</u>	<u>\$ 432,778</u>	<u>\$ 432,778</u>	<u>\$ 3,945,556</u>
Municipal purchase Agreement	Date of Issue	Amount of Issue	Interest Rate	Principal 1-Jan	Interest Payment 1-Jan		Fiscal Year Requirement
2008-09	12/21/2007	775,000	4.04	\$ 38,359	\$ -	\$ -	\$ 38,359
2009-10				40,017	30,174	-	70,191
2010-11				41,556	28,534	-	70,090
2011-12				43,362	26,121	-	69,483
2012-13				611,706	26,121	-	637,827
				<u>\$ 775,000</u>	<u>\$ 110,950</u>	<u>\$ -</u>	<u>\$ 885,950</u>
Business-type Activities							
<u>General Obligation Bonds</u>							
	Date of Issue	Amount of Issue	Interest Rate	Annual Principal 1-Oct	Semiannual Interest Payment 1-Oct	1-Apr	Total Fiscal Year Requirement
2001 Waste Treatment Enterprise Fund W. Tuscola/ Georgetown	6/19/2001	300,000	5.07				
2008-09				\$ 20,000	\$ 4,493	\$ 4,043	\$ 28,536
2009-10				20,000	4,042	3,594	27,636
2010-11				20,000	3,593	3,143	26,736
2011-12				25,000	3,144	2,581	30,725
2012-13				25,000	2,581	2,000	29,581
2013-14				25,000	2,000	1,375	28,375
2014-15				25,000	1,375	750	27,125
2015-16				30,000	750	-	30,750
				<u>\$ 190,000</u>	<u>\$ 21,978</u>	<u>\$ 17,486</u>	<u>\$ 229,464</u>

See independent auditor's report.

City of Frankenmuth
Schedule of Indebtedness (continued)
June 30, 2008

	Date of Issue	Amount of Issue	Interest Rate	Annual Principal 1-May	Semiannual Interest Payment 1-Nov	1-May	Total Fiscal Year Requirement
2004 Waste Treatment Plant Expansion,	2/18/2004	1,120,000					
2008-09			5.00	\$ 140,000	\$ 15,000	\$ 15,000	\$ 170,000
2009-10			5.00	145,000	11,500	11,500	168,000
2010-11			5.00	155,000	7,875	7,875	170,750
2011-12			5.00	160,000	4,000	4,000	168,000
				<u>\$ 600,000</u>	<u>\$ 38,375</u>	<u>\$ 38,375</u>	<u>\$ 676,750</u>

	Date of Issue	Amount of Issue	Interest Rate	Annual Principal 1-Jan	Semiannual Interest Payment 1-Jul	1-Jan	Total Fiscal Year Requirement
1997 Water Improvement	5/20/1997	940,000					
2008-09			5.30	\$ 50,000	\$ 15,793	\$ 15,792	\$ 81,585
2009-10			5.40	50,000	14,468	14,467	78,935
2010-11			5.40	55,000	13,118	13,117	81,235
2011-12			5.50	60,000	11,633	11,632	83,265
2012-13			5.50	65,000	9,983	9,982	84,965
2013-14			5.60	70,000	8,195	8,195	86,390
2014-15			5.60	70,000	6,235	6,235	82,470
2015-16			5.70	75,000	4,275	4,275	83,550
2016-17			5.70	75,000	2,138	2,137	79,275
				<u>\$ 570,000</u>	<u>\$ 85,838</u>	<u>\$ 85,832</u>	<u>\$ 741,670</u>

	Date of Issue	Amount of Issue	Interest Rate	Annual Principal 1-Jun	Semiannual Interest Payment 1-Dec	1-Jun	Total Fiscal Year Requirement
2001 Waste Treatment / Water Fund Enterprise Fund Saginaw County DPW Bond	10/16/2001	1,660,000	4.24				
2008-09				\$ 115,000	\$ 22,415	\$ 22,415	\$ 159,830
2009-10				120,000	20,258	20,259	160,517
2010-11				125,000	17,949	17,948	160,897
2011-12				130,000	15,448	15,449	160,897
2012-13				135,000	12,816	12,816	160,632
2013-14				145,000	9,981	9,981	164,962
2014-15				150,000	6,864	6,863	163,727
2015-16				155,000	3,526	3,526	162,052
				<u>\$ 1,075,000</u>	<u>\$ 109,257</u>	<u>\$ 109,257</u>	<u>\$ 1,293,514</u>

See independent auditor's report.

City of Frankenmuth
Schedule of Indebtedness (continued)
June 30, 2008

	Date of Issue	Amount of Issue	Interest Rate	Annual Principal 1-Apr	Semiannual Interest Payment 1-Oct	1-Apr	Total Fiscal Year Requirement
1999 G.O. SRF WTP	4/1/1998	6,645,000	2.25				
2008-09				\$ 325,000	\$ 45,169	\$ 45,169	\$ 415,338
2009-10				335,000	41,513	41,513	418,026
2010-11				340,000	37,744	37,744	415,488
2011-12				350,000	33,919	33,919	417,838
2012-13				355,000	29,981	29,981	414,962
2013-14				365,000	25,988	25,988	416,976
2014-15				370,000	21,881	21,881	413,762
2015-16				380,000	17,719	17,719	415,438
2016-17				390,000	13,444	13,444	416,888
2017-18				400,000	9,056	9,056	418,112
2018-19				405,000	4,556	4,556	414,112
				<u>\$ 4,015,000</u>	<u>\$ 280,970</u>	<u>\$ 280,970</u>	<u>\$ 4,576,940</u>

Business-type Activities
Special Assessment Bonds

	Date of Issue	Amount of Issue	Interest Rate	Annual Principal 1-Oct	Semiannual Interest Payment 1-Oct	1-Apr	Total Fiscal Year Requirement
2002 S.A.							
East Tuscola Area	4/22/2002	1,225,000	4.38				
2008-09				\$ 85,000	\$ 16,680	\$ 14,980	\$ 116,660
2009-10				90,000	14,980	13,180	118,160
2010-11				85,000	13,180	11,438	109,618
2011-12				90,000	11,437	9,570	111,007
2012-13				85,000	9,570	7,785	102,355
2013-14				90,000	7,785	5,850	103,635
2014-15				85,000	5,850	3,980	94,830
2015-16				90,000	3,980	1,955	95,935
2016-17				85,000	1,955	-	86,855
				<u>\$ 785,000</u>	<u>\$ 85,417</u>	<u>\$ 88,738</u>	<u>\$ 939,155</u>

See independent auditor's report.

City of Frankenhuth
Schedule of Indebtedness (continued)
June 30, 2008

Governmental Activities
Special Assessment Bonds

	Date of Issue	Amount of Issue	Interest Rate	Annual Principal 1-Oct	Semiannual Interest Payment 1-Oct	1-Apr	Total Fiscal Year Requirement
2001 DDA Phase 3/Georgetown	6/19/2001	750,000	5.07				
2008-09				\$ 45,000	\$ 11,943	\$ 10,931	\$ 67,874
2009-10				45,000	10,931	9,919	65,850
2010-11				40,000	9,918	9,019	58,937
2011-12				45,000	9,018	8,006	62,024
2012-13				45,000	8,006	6,960	59,966
2013-14				45,000	6,960	5,835	57,795
2014-15				40,000	5,835	4,835	50,670
2015-16				45,000	4,835	3,710	53,545
2016-17				15,000	3,710	3,313	22,023
2017-18				15,000	3,312	2,915	21,227
2018-19				15,000	2,915	2,518	20,433
2019-20				15,000	2,517	2,120	19,637
2020-21				15,000	2,120	1,723	18,843
2021-22				15,000	1,722	1,325	18,047
2022-23				15,000	1,325	928	17,253
2023-24				15,000	927	530	16,457
2024-25				10,000	530	265	10,795
2025-26				10,000	265	-	10,265
				<u>\$ 490,000</u>	<u>\$ 96,789</u>	<u>\$ 74,852</u>	<u>\$ 651,641</u>

	Date of Issue	Amount of Issue	Interest Rate	Annual Principal 1-Oct	Semiannual Interest Payment 1-Oct	1-Apr	Total Fiscal Year Requirement
1997 S.A. DDA Phase I	8/1/1997	1,415,000					
2008-09			4.90	\$ 60,000	\$ 21,505	\$ 20,035	\$ 101,540
2009-10			5.00	60,000	20,035	18,535	98,570
2010-11			5.10	60,000	18,535	17,005	95,540
2011-12			5.15	60,000	17,005	15,460	92,465
2012-13			5.20	55,000	15,460	14,030	84,490
2013-14			5.25	60,000	14,030	12,455	86,485
2014-15			5.30	60,000	12,455	10,865	83,320
2015-16			5.30	60,000	10,865	9,275	80,140
2016-17			5.30	55,000	9,275	7,618	72,093
2017-18			5.30	60,000	7,617	6,227	74,044
2018-19			5.30	60,000	6,228	4,637	70,865
2019-20			5.30	60,000	4,638	3,047	67,685
2020-21			5.30	60,000	3,048	1,457	64,505
2021-22			5.30	55,000	1,458	-	56,458
				<u>\$ 825,000</u>	<u>\$ 162,354</u>	<u>\$ 140,846</u>	<u>\$ 1,128,200</u>

See independent auditor's report.

City of Frankenmuth
Schedule of Indebtedness (continued)
June 30, 2008

	Date of Issue	Amount of Issue	Interest Rate	Annual Principal 1-Sep	Semiannual Interest Payment		Total Fiscal Year Requirement
					1-Sep	1-Mar	
1999 S.A. Major Street West Tuscola	8/9/1999	332,000	5.13				
2008-09				\$ 25,000	\$ 3,657	\$ 3,045	\$ 31,702
2009-10				20,000	3,045	2,545	25,590
2010-11				20,000	2,545	2,040	24,585
2011-12				20,000	2,040	1,530	23,570
2012-13				20,000	1,530	1,020	22,550
2013-14				20,000	1,020	510	21,530
2014-15				20,000	510	-	20,510
				<u>\$ 145,000</u>	<u>\$ 14,347</u>	<u>\$ 10,690</u>	<u>\$ 170,037</u>

	Date of Issue	Amount of Issue	Interest Rate	Annual Principal 1-Sep	Semiannual Interest Payment		Total Fiscal Year Requirement
					1-Sep	1-Mar	
1999 S.A. DDA North Main Overhead Wires	12/29/1999	380,000	5.90				
2008-09				\$ 15,000	\$ 7,957	\$ 7,563	\$ 30,520
2009-10				15,000	7,564	7,170	29,734
2010-11				15,000	7,170	6,773	28,943
2011-12				15,000	6,772	6,367	28,139
2012-13				15,000	6,368	5,955	27,323
2013-14				15,000	5,955	5,535	26,490
2014-15				15,000	5,535	5,107	25,642
2015-16				15,000	5,108	4,673	24,781
2016-17				15,000	4,672	4,230	23,902
2017-18				15,000	4,230	3,780	23,010
2018-19				15,000	3,780	3,330	22,110
2019-20				15,000	3,330	2,880	21,210
2020-21				15,000	2,880	2,430	20,310
2021-22				20,000	2,430	1,830	24,260
2022-23				20,000	1,830	1,220	23,050
2023-24				20,000	1,220	610	21,830
2024-25				20,000	610	-	20,610
				<u>\$ 275,000</u>	<u>\$ 77,411</u>	<u>\$ 69,453</u>	<u>\$ 421,864</u>

See independent auditor's report.

City of Frankenmuth
Schedule of Indebtedness (continued)
June 30, 2008

	Date of Issue	Amount of Issue	Interest Rate	Annual Principal 1-Sep	Semiannual Interest Payment 1-Sep	1-Mar	Total Fiscal Year Requirement
1999 S.A. DDA North Main Streetscape	6/22/2000	295,000	5.95				
2008-09				\$ 15,000	\$ 6,103	\$ 5,690	\$ 26,793
2009-10				10,000	5,690	5,415	21,105
2010-11				15,000	5,415	5,003	25,418
2011-12				10,000	5,002	4,727	19,729
2012-13				10,000	4,728	4,448	19,176
2013-14				15,000	4,447	4,020	23,467
2014-15				10,000	4,020	3,730	17,750
2015-16				15,000	3,730	3,291	22,021
2016-17				10,000	3,291	2,996	16,287
2017-18				15,000	2,996	2,550	20,548
2018-19				10,000	2,550	2,250	14,800
2019-20				15,000	2,250	1,800	19,050
2020-21				10,000	1,800	1,500	13,300
2021-22				15,000	1,500	1,050	17,550
2022-23				10,000	1,050	750	11,800
2023-24				15,000	750	300	16,050
2024-25				10,000	300	-	10,300
				<u>\$ 210,000</u>	<u>\$ 55,622</u>	<u>\$ 49,520</u>	<u>\$ 315,142</u>

	Date of Issue	Amount of Issue	Interest Rate	Annual Principal 1-Apr	Semiannual Interest Payment 1-Oct	1-Apr	Total Fiscal Year Requirement
2004 GO Weiss Street	2/11/2004	1,800,000	4.24				
2008-09				\$ 60,000	\$ 32,175	\$ 32,175	\$ 124,350
2009-10				60,000	31,380	31,380	122,760
2010-11				65,000	30,510	30,510	126,020
2011-12				70,000	29,470	29,470	128,940
2012-13				75,000	28,280	28,280	131,560
2013-14				80,000	26,930	26,930	133,860
2014-15				85,000	25,410	25,410	135,820
2015-16				90,000	23,731	23,731	137,462
2016-17				100,000	21,909	21,909	143,818
2017-18				110,000	19,809	19,809	149,618
2018-19				115,000	17,471	17,471	149,942
2019-20				120,000	14,970	14,970	149,940
2020-21				125,000	12,300	12,300	149,600
2021-22				130,000	9,487	9,488	148,975
2022-23				135,000	6,498	6,497	147,995
2023-24				140,000	3,325	3,325	146,650
				<u>\$ 1,560,000</u>	<u>\$ 333,655</u>	<u>\$ 333,655</u>	<u>\$ 2,227,310</u>

See independent auditor's report.

City of Frankenmuth
Schedule of Indebtedness (continued)
June 30, 2008

	Date of Issue	Amount of Issue	Interest Rate	Annual Principal 1-Sep	Semiannual Interest Payment 1-Sep	1-Mar	Total Fiscal Year Requirement
2001 S.A. DDA Snowmelt	9/1/2001	490,000	4.29				
2008-09				\$ 35,000	\$ 7,399	\$ 6,760	\$ 49,159
2009-10				40,000	6,760	6,000	52,760
2010-11				40,000	6,000	5,200	51,200
2011-12				40,000	5,200	4,390	49,590
2012-13				40,000	4,390	3,560	47,950
2013-14				40,000	3,580	2,700	46,280
2014-15				40,000	2,700	1,820	44,520
2015-16				40,000	1,820	920	42,740
2016-17				40,000	920	-	40,920
				<u>\$ 355,000</u>	<u>\$ 38,749</u>	<u>\$ 31,350</u>	<u>\$ 425,099</u>
Totals				<u>\$ 16,844,219</u>	<u>\$ 2,100,696</u>	<u>\$ 1,880,875</u>	<u>\$ 20,825,790</u>

See independent auditor's report.